



Calhoun: The NPS Institutional Archive
DSpace Repository

Theses and Dissertations

Thesis and Dissertation Collection

1986-12

A survey of the Navy office of legislative affairs program: OLA procurement workshops.

Gaffney, William H.

<http://hdl.handle.net/10945/22137>

Downloaded from NPS Archive: Calhoun



Calhoun is a project of the Dudley Knox Library at NPS, furthering the precepts and goals of open government and government transparency. All information contained herein has been approved for release by the NPS Public Affairs Officer.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

<http://www.nps.edu/library>

NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

A SURVEY OF THE NAVY OFFICE OF LEGISLATIVE
AFFAIRS PROGRAM: OLA PROCUREMENT WORKSHOPS

by

William H. Gaffney

December 1986

Thesis Advisor:

Raymond W. Smith

Approved for public release; distribution is unlimited

T230481

REPORT DOCUMENTATION PAGE

1a REPORT SECURITY CLASSIFICATION UNCLASSIFIED			1b RESTRICTIVE MARKINGS		
2a SECURITY CLASSIFICATION AUTHORITY			3 DISTRIBUTION/AVAILABILITY OF REPORT Approved for public release; distribution is unlimited		
2b DECLASSIFICATION/DOWNGRADING SCHEDULE			4 MONITORING ORGANIZATION REPORT NUMBER(S)		
4 PERFORMING ORGANIZATION REPORT NUMBER(S)			5 MONITORING ORGANIZATION REPORT NUMBER(S)		
6a NAME OF PERFORMING ORGANIZATION Naval Postgraduate School		6b OFFICE SYMBOL (If applicable) 54		7a NAME OF MONITORING ORGANIZATION Naval Postgraduate School	
6c ADDRESS (City, State, and ZIP Code) Monterey, California 93943-5000			7b ADDRESS (City, State, and ZIP Code) Monterey, California 93943-5000		
8a NAME OF FUNDING/SPONSORING ORGANIZATION		8b OFFICE SYMBOL (If applicable)		9 PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER	
3c ADDRESS (City, State, and ZIP Code)			10 SOURCE OF FUNDING NUMBERS		
			PROGRAM ELEMENT NO	PROJECT NO	TASK NO
			WORK UNIT ACCESSION NO		
1 TITLE (Include Security Classification) A SURVEY OF THE NAVY OFFICE OF LEGISLATIVE AFFAIRS PROGRAM: OLA PROCUREMENT WORKSHOPS					
2 PERSONAL AUTHOR(S) Gaffney, William H.					
3a TYPE OF REPORT Master's Thesis		13b TIME COVERED FROM TO		14 DATE OF REPORT (Year, Month, Day) 1986 December	
				15 PAGE COUNT 128	
6 SUPPLEMENTARY NOTATION					
7 COSATI CODES			18 SUBJECT TERMS (Continue on reverse if necessary and identify by block number)		
FIELD	GROUP	SUB-GROUP	Procurement workshops		
9 ABSTRACT (Continue on reverse if necessary and identify by block number) This research was undertaken to evaluate the effectiveness of the Navy Office of Legislative Affairs procurement workshops in strengthening the defense industrial base and increasing competition. The researcher found, through a literature review, that there is a need for the procurement workshops. The defense industrial base has shrunk over the last few decades to where there is concern over whether or not the U.S. would be able to fight a prolonged war. Additionally, competition has become the watchword in Navy procurement. Through the use of a questionnaire to survey attendees at workshops over the last three years, starting with 1984, the researcher determined that the workshops have been effective in attaining both objectives.					
10 DISTRIBUTION/AVAILABILITY OF ABSTRACT <input type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS RPT <input type="checkbox"/> DTIC USERS			21 ABSTRACT SECURITY CLASSIFICATION		
2a NAME OF RESPONSIBLE INDIVIDUAL Raymond W. Smith			22b TELEPHONE (Include Area Code) 408-646-2052		22c OFFICE SYMBOL 54Sx

Approved for public release, distribution is unlimited

A Survey of the Navy Office of Legislative Affairs Program:
OLA Procurement Workshops

by

William H. Gaffney
Major, United States Marine Corps
A.B., Eastern Kentucky University, 1974
MBA, National University, 1982

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
/ December 1986

ABSTRACT

This research was undertaken to evaluate the effectiveness of the Navy Office of Legislative Affairs procurement workshops in strengthening the defense industrial base and increasing competition.

The researcher found, through a literature review, that there is a need for the procurement workshops. The defense industrial base has shrunk over the last few decades to where there is concern over whether or not the U.S. would be able to fight a prolonged war. Additionally, competition has become the watchword in Navy procurement.

Through the use of a questionnaire to survey attendees at workshops over the last three years, starting with 1984, the researcher determined that the workshops have been effective in attaining both objectives.

Thesis
G12243
3.1

TABLE OF CONTENTS

I.	INTRODUCTION.....	7
A.	INTRODUCTION.....	7
B.	BACKGROUND.....	8
C.	OBJECTIVES.....	9
D.	THE RESEARCH QUESTION.....	9
E.	SCOPE, LIMITATIONS AND ASSUMPTIONS.....	9
F.	METHODOLOGY.....	10
G.	MAJOR FINDINGS.....	10
H.	ORGANIZATION AND STUDY.....	11
II.	THE DEFENSE INDUSTRIAL BASE.....	12
A.	INTRODUCTION.....	12
B.	HISTORY OF U. S. MOBILIZATION.....	15
	1. World War I.....	16
	2. 1920 to Second World War.....	17
	3. World War II.....	18
	4. After World War II and Prior to Korea...	19
	5. Korean War.....	20
	6. Vietnam.....	22
C.	PROBLEMS/ISSUES.....	23
	1. The Ichord Report.....	24
	2. Industrial Preparedness Planning.....	27
	3. Solutions.....	29
	4. Summary.....	30

III.	COMPETITION.....	32
A.	INTRODUCTION.....	32
B.	COMPETITION.....	32
C.	THE FEDERAL GOVERNMENT AND CICA.....	36
D.	COMPETITION IN THE NAVY.....	44
IV.	THE PROCUREMENT WORKSHOPS.....	52
A.	INTRODUCTION.....	52
B.	HISTORY.....	53
C.	TODAY.....	54
1.	Opening Remarks.....	58
2.	The Movie.....	60
3.	The Brief.....	60
4.	Questions.....	75
5.	Afternoon Session.....	75
D.	SUMMARY.....	76
V.	THE QUESTIONNAIRE.....	78
A.	INTRODUCTION.....	78
B.	THE QUESTIONS.....	79
C.	SUMMARY.....	86
VI.	RESULTS OF THE QUESTIONNAIRE.....	87
A.	INTRODUCTION.....	87
B.	ANALYSIS OF THE QUESTIONS.....	89
C.	CORRELATIONS.....	103
D.	SUMMARY.....	108

VII. CONCLUSIONS, RESEARCH QUESTIONS, RECOMMENDATIONS AND AREAS FOR FURTHER RESEARCH.....	110
A. CONCLUSIONS.....	110
B. RESEARCH QUESTIONS.....	112
C. RECOMMENDATIONS.....	114
D. AREAS FOR FURTHER RESEARCH.....	116
APPENDIX A: QUESTIONNAIRE.....	117
LIST OF REFERENCE.....	122
INITIAL DISTRIBUTION LIST.....	127

I. INTRODUCTION

A. INTRODUCTION

Present policy of the Department of Defense along with U.S. National Security objectives have as their core the deterrence of military conflict with other nations. If the U. S. cannot deter war, then the U.S. must be prepared to bring all of its resources to bear in order to win any engagement with the enemy and preserve our way of life and national heritage. [Ref. 1:pg. 28]

The industrial base of the United States is in danger of deteriorating to the point where, we would be unable to perform surge or rapidly mobilize. [Ref. 2:pg. 10] This is the viewpoint of numerous government and private individuals and should be of great interest and concern to military personnel regardless of their service connections or military occupational specialty. This is, or should be, of particular interest to the contracting officer. Through various directives, he is charged with the planning necessary to prevent this deterioration. One organization attempting to retard this erosion of the industrial base and also to increase competition is the Naval Office of Legislative Affairs. With the assistance of The Assistant Secretary of the Navy (Shipbuilding and Logistics), they have put together a program that consists of meetings with

business people. These meetings are an attempt to show these businessmen how to do business with the Government in general and the Navy in particular.

B. BACKGROUND

According to LCDR Robert Law, Contracts Liaison Officer of the Naval Office of Legislative Affairs, the present procurement workshops are conducted in response to, in conjunction with, and for members of the House of Representatives in their local congressional districts. The work of setting up the meeting area and other details is left primarily to the Congressman's staff. The Navy is responsible for providing briefing personnel on the date and at the location decided upon. The objectives of the procurement workshops are twofold, according to LCDR Law:

1. To attempt to increase the defense industrial base (DIB) by increasing participation by small business,
2. To increase small business competition in the Department of the Navy.

Achievement of these goals benefits the Navy in two ways. By increasing the number of businesses competing for the Navy's business, the Navy should be able to lower the price of the goods and services that it obtains, and by increasing competition the Navy should be increasing the number of businesses doing work for the Government thereby increasing the defense industrial base.

C. OBJECTIVES

The objective of this paper is to examine the DIB and competition in the Navy in relationship to the procurement workshops, in an effort to determine if the workshops have been effective in strengthening the DIB and increasing competition.

D. THE RESEARCH QUESTION

The primary question for this research was, "What have been the results of the procurement workshops and what did the attendees think about their usefulness to them in helping them to obtain Government contracts?".

In addition to the primary research question, the following subsidiary questions were formulated:

1. What has been effect of the procurement workshops in increasing the number of small businesses that contract to provide for Navy needs?
2. What type of business sends representatives to the workshops, manufacturing or service?
3. Have these workshops increased the competitive base?
4. Have these workshops strengthened the DIB?
5. Will the business people, who had no prior experience in Government contracting, attempt to contract with the Government after having attended a workshop.
6. Why did the attendees come to the workshops?

E. SCOPE, LIMITATIONS AND ASSUMPTIONS.

The scope of the paper will be concentrated primarily on the workshops themselves with an introductory chapter on the

DIB and competition in the Navy in the 1980's. The limitations that the researcher encountered had to do with not being able to meet with people in Government and private business face to face to the extent preferred. Telephonic interviews are less productive than personal interviews. Also the researcher was limited by the numbers and quality of answers that were received from the questionnaire. It is assumed that competition is wanted and desirable, even though there are those who argue that competition, or at least unchecked foreign competition, is a hindrance to maintaining the DIB. [Ref. 3]

F. METHODOLOGY

The methodology was threefold: First, the literature was reviewed to determine the perceived problems with the DIB and competition. Second, the questionnaire was written to gather information on how the attendees felt about the workshop. Last, interviews were held, both in person and telephonically, to clarify information obtained.

G. MAJOR FINDINGS

1. The defense industrial base appears to be shrinking
2. The Navy is having problems in preparing a Production Base analysis as required by DOD.
3. The Navy had been trying to increase competition in its procurement actions even before the passage of the 1984 Competition in Contracting Act (CICA).

4. A large number of the respondents to the questionnaire had not done business with the DOD prior to their attendance at the procurement workshops.
5. The number of respondents, who stated they did not know how to sell to the Government decreased after their attendance at a workshop.
6. The procurement workshops appear to have been effective in getting businesses to attempt to bid on Government contracts.

H. ORGANIZATION AND STUDY

The next two chapters will be discussions on the DIB and competition respectively. These chapters will attempt to give the reader some background information dealing with those subjects, their problems and issues. Chapter Four will be a discussion of the workshops with a short narrative on the conduct of the workshop that the researcher attended in Daytona Beach, Florida in August of 1986. The reasons the Navy had for beginning the program will be stated there as seen by the founder of the workshops for the Navy, Rear Admiral Joseph Sansone (Ret.), and the information passed out to the participants will be highlighted. Chapter Five will deal with the questionnaires' formulation and Chapter Six will analyze the questionnaires that were returned. The last chapter will contain the researcher's conclusions, recommendations and will answer the research questions.

II. THE DEFENSE INDUSTRIAL BASE

A. INTRODUCTION

There are those who will argue that there is not a problem with America's industrial base. They will use the argument that the United States is still a world leader in manufacturing. Their argument is that the manufacturing industries face problems but that the United States is not "deindustrializing". They will give as proof of their argument data which show that the "output, employment and capital stock of U.S. manufacturing grew from 1950 through 1980." [Ref. 4:pg. 88] These same people will then tell you that it is true that the makeup of the U.S. manufacturing sector has, over the last twenty years, changed and that instead of having the type of industry that is resource-intensive, the U.S. manufacturing sector is now high-technology oriented. Their claim is that this shift and the change in makeup is no danger to our position in the world markets. [Ref. 4:pg. 89] These are the views of economists and it is true that the methodology that they use to measure the industrial base leads them to these conclusions. However, if one considers that there are industries that are vital to this nation's survival, then economic theories which disregard these industries are not proper. This is the view of Mr. George Nickolas in his paper The Industrial

Base Under Siege, wherein he addresses the same problem of dogmatic economic theory being used when other issues should be of greater importance. [Ref. 3:pg. 11]

The popular conception of what constitutes the DIB is that of the large defense contractors like Lockheed and General Dynamics. This is a misconception shared by much of the public [Ref. 5:pg. 28]. In the briefing that the researcher attended at the procurement workshop in Daytona Beach, Florida the Navy pointed out in their presentation the top ten Navy Prime Contractors for 1985. Of these the aerospace companies held the first four positions and dominated the total (see Figure 1). However it became apparent that the large prime contractors were not the entire base and were not the part of the base that was in danger of being unable to surge or mobilize. [Ref. 6:pg. 11] Hidden behind the major aerospace firms and other prime contractors for the Department of Defense (DoD) is a vast array of subcontractors and lower tier suppliers, spread over many industries [Ref. 5:pg. 33]. These are the businesses that, according to the literature, would have the most difficulty in surge/mobilization if the need arose. [Ref. 7:pg. v] The defense industrial base then is comprised of the businesses that produce the hardware necessary for this country to ensure its continued ability to defend itself. The businesses that produce the hardware necessary for this country

TOP TEN NAVY CONTRACTORS FY 1985

	CONTRACTOR	\$ MILLIONS	%
1.	MCDONNELL DOUGLAS	\$4,842.6	9.2
2.	GENERAL DYNAMICS	3,186.9	6.0
3.	GRUMMAN AEROSPACE	2,627.0	5.0
4.	LOCKHEED	2,608.7	4.9
5.	GENERAL ELECTRIC	2,184.5	4.1
6.	HUGHES AIRCRAFT	1,456.7	2.8
7.	UNITED TECHNOLOGIES	1,236.4	2.3
8.	NEWPORT NEWS SHIPBUILDING	1,222.0	2.3
9.	RAYTHEON	1,172.5	2.2
10.	AVONDALE SHIPYARDS	1,143.5	2.2

Figure 1 Top Ten Navy Contractors FY 1985
provided by Asst. SECNAV (Shipbuilding and Logistics)

to ensure its continued ability to defend itself. The businesses in question are from both the large and small spectrum of the total industrial base [Ref. 8:pg. 1]. It is difficult to determine the size of the base because of its constantly shifting nature [Ref. 7:pg. 1] and because of the lack of a complete data base on the subcontractors and lower tier suppliers [Ref. 5:pg. 34]. In fact the Navy office that is in charge of Industrial Preparedness Planning (IPP) stated that at the present time they are unsure as to exactly who comprises the data base that would enable them to do the requisite planning. [Ref. 9]

The purpose of this section of the paper is to provide the reader some background information on what the DIB is and the major issues and problems that are and have been discussed in the literature that was reviewed. This section is not intended to be all inclusive of the issues that are currently being discussed. It is not intended to be a vehicle that offers suggestions or recommendation on the issues and problems. It is to be used to set the background for one of the objectives of the OLA.

B. HISTORY OF U.S. MOBILIZATION

"It is one of the follies of human nature that the lessons of history are repeatedly ignored, and this tendency is especially true in our free society." [Ref. 3:pg. 2]
This was a statement made by Mr. G. T. Nickolas in a paper

entitled The Industrial Base Under Siege, in which he claims that the problems that we faced in getting our war efforts under way in World Wars I and II, Korea and Vietnam were forgotten almost immediately after each of these conflicts. This claim is prevalent in the literature. American defense policy has not been one which has supported maintaining the defense industrial base. It was not until World War II that a full scale industry devoted principally to the defense of the nation was established. During the nineteenth century and up until the start of the Second World War the manufacture of guns and ships for the defense of the country was a shared venture between the Government, through their arsenals, and private enterprise. This was characterized by the procurement of arms being an episodic affair. At the beginning of war we were usually found to be unprepared with the manufacture of civilian goods dominating the U.S. manufacturing base. [Ref. 5:pg. 22]

1. World War I.

Adequate preparation for war has never yet in history been made after the beginning of hostilities without unnecessary slaughter, unjustifiable expense and national peril. It is only in the years of peace that a nation can be made ready to Fight. [Ref. 6:pg. 7]

Unfortunately we as a nation had not taken this into consideration as war raged in Europe. And in fact "during World War I the United States sent two million men to Europe, but they had to fight mostly with French and British

made weapons" [Ref. 5:pg. 21]. The Ichord report (a 1980 Congressional committee study) stated that the major contributor to this deficiency was the lead times associated with getting the material produced in the U.S. [Ref. 6:pg. 7] If the war had continued for a longer period of time the ability of the U.S. to produce the equipment needed would have caught up and become more important. [Ref. 5:pg. 21] In fact it is the view of some that the German General Staff was convinced of the futility of the further prosecution of the war because of the capability of the U.S. base to provide the means to fight once the U.S. was able to get the process started. [Ref. 10:pg. 22] The reason for the long lead times was due in part to a "complete absence of plans prior to our entry into World War I, with a glaring shortcoming being the lack of defined requirements about what was needed and when." [Ref. 11:pg. 6] After the wars end the majority of the businesses that had gone from civilian to defense products either converted back to civilian goods or went out of business. [Ref. 5:pg. 21]

2. 1920 to the Second World War

In 1920 the Congress passed legislation that was supposed to prevent the pre World War I condition from recurring. The legislation was called the National Defense Act of 1920. It led to the establishment of an organization that was to perform industrial planning under the direction

of the Secretary of War [Ref. 6:pg. 7]. The mission of the organization was to provide for the mobilization of the country in the event of a national emergency. The organization produced a series of plans every three years from 1930 through 1939 called the Industrial Mobilization Plans (IMP). [Ref. 11:pg. 6] The effectiveness of the plan is in dispute. The Ichord panel stated they were very important in the beginning of World War II in assisting the U.S. in building up its industrial base to meet the needs generated by the war. [Ref. 6:pg. 7] Others thought that a "safe judgment of the value of the IMP process may be that it caused a great deal of productive thinking that shortened the mobilization process after the war started." [Ref. 11:pg. 6]

3. World War II.

"It took the United States of America nearly 4 years to gear up to the war production levels necessary to win World War II." [Ref. 3:pg. 2] What had happened to the planning that was being conducted? Though the planners were planning, the base had been allowed to deteriorate and the facilities built for the production of war materials for World War I had been scrapped. [Ref. 12:pg. 2] By 1939, even though the Congress had given attention to the problem identified during World War I, the industrial base had deteriorated. [Ref. 6:pg. 8] By 1941 the production base

was increasing but had not as yet attained the necessary rate required [Ref. 10:pg. 8]. This is not to say that a quantity of material was not produced between the time the U.S. entered the war and two years later. During this time the U.S. was able to produce in excess of 67,000 aircraft, almost 29,000 tanks and about 180 combatant ships.

Furthermore during the conduct of the war the U.S. produced a total of 310,000 aircraft, 88,000 tanks, 10 battleships, 358 destroyers, 211 submarines, 27 aircraft carriers, 411,000 artillery tubes and howitzers, 12,500,000 rifles and carbines and almost 900,000 trucks and motor driven weapons carriers. [Ref. 6:pg. 8] The question during this period of time, was not did the U.S. have the capacity to produce the needed items, but rather why did we allow the base to deteriorate? The reason, in the researcher's opinion, is that America is not willing to supersede the consumer demand for the resources needed to maintain a base which would be ready to mobilize at a moments notice. The Ichord report states "the conclusion of World War II saw the American industrial base undergo a rapid change from producing military hardware to producing consumer goods." [Ref. 6:pg. 8]

4. After WW II and Prior to Korea.

The period between 1945 and 1950 saw a great deal of investment in new plants and equipment. A total of 115

billion dollars was spent to increase the U.S. production capacity which increased the overall production capacity by 40 per cent. Much of this increase, though, was for production of consumer goods. [Ref. 6:pg. 8] Another aspect of the conversion back to civilian goods was that in the rush to do this the Government divested itself of many Government-owned facilities and those that were not disposed of were not funded for maintenance and were allowed to deteriorate. During this period, thirty-four machine tool companies closed because of a lack of Government interest and policies. This resulted in our having, by 1951, only about one third of the machine tool capacity that we had at the start of World War II. [Ref. 11:pg. 8]

5. Korean War.

With the Korean conflict coloring Congressional thought during 1950, the need for more legislation was thought to be necessary in order to better allocate industrial resources. With this thinking the Congress passed, in 1950, The Defense Production Act which was used to:

. . . establish a system of priorities and allocations for materials and facilities, authorize the requisitioning thereof, provide financial assistance for expansion of productive capacity and supply, provide for price and wage stabilization, provide for the settlement of labor disputes, strengthen controls over credit, and by these measures facilitate the production of goods and services necessary for the national security, and for other purposes. [Ref. 6:pg. 8]

More specifically this Act established what was then known as the Defense Priorities System (DPS) (now referred to as the Defense Priorities and Allocation System (DPAS)). DPS was used to ensure that programs which were vital for national security would receive the resources necessary for accomplishment. What it did specifically was to provide priority purchase of products for contractors and subcontractors. These products were considered to be materials which would be assigned to the contractor who required them before any other manufacturer. [Ref. 13:pgs. 2-26] This was to be done with the least possible amount of interruption to the rest of the economy. [Re. 11:pg. 15]

During the first part of the Korean War, the Government attempted several actions designed to aid the industrial base. One of the major problems mentioned was the lack of machine tools which the Government had exacerbated by its sale of such tools immediately following the Second World War.

Because machine tools are essential to any industrial expansion, the machine tool industry received assistance . . . with minor exception, shipment of tools to users outside the defense industry was banned. [Ref. 11:pg. 28]

Additionally, the Government encouraged the industry by other programs. These programs included the Korean Pool Order Program which ordered 87,000 general purpose tools, the Toolbuilder's Facilities Expansion Program, which bought and leased to toolbuilders another 2,375 tools in order for

them to build other tools, the Elephant Tool Program where the Government financed the manufacture of tools that were large, had long lead times and were needed to produce other large machine tools, and the M-Day Pool Order Program which guaranteed purchase of tools by the Government. [Ref. 11:pg. 29]

6. Vietnam

After 1956, the United States began to dismantle the industrial base that had been built up during the Korean War because it was not possible to justify the expenditure necessary to support it. The Navy rid itself of 80 percent of the plant and equipment that it had sustained during and immediately after the conflict. [Ref. 11:pg. 51] This was not of great impact on the war in Vietnam though as the United States did not mobilize, instead we surged to meet our needs. Even in this we did not truly surge in that we stepped up production rapidly but rather we set the pace in Vietnam to allow the capacity available in the base to build up gradually. [Ref. 6:pg. 9]

The period after the Vietnam War brought into question very sharply the issue of the ability of the United States to mobilize if a national emergency arose. In 1976, a report by the Defense Science Board Task force found that

. . .the United States is presently deficient in the extent to which the defense industrial base is postured to provide material support to the forces in being in response to the full spectrum of potential conflict situations upon which our national security plans are based. [Ref. 6:pg. 9]

We are again at that point where we have historically found ourselves at the conclusion of our involvement in a conflict. Once again we would have to hope that the enemy who attacked us would allow us the time to mobilize as the Germans and Japanese did in World War II.

C. PROBLEMS/ISSUES

The Defense Industrial Base is made up of those business firms and Government facilities which produce the weapons and the services that are utilized by the Department of Defense. [Ref. 8:pg. 1] Measuring this base is difficult and, in fact, the Navy does not currently have a firm determination of who makes up the base which they would draw upon in the event of an emergency. [Ref. 14] The literature indicates that there are "approximately 25,000 prime contractors and more numerous subcontractors" [Ref. 15:pg. 25], another source gives the same figure for the prime contractors and defines the number of subcontractors more definitively by stating that there are "about 50,000 firms in the lower tiers." [Ref. 8:pg. 1] The latest figures available put the number of prime contractors at 60,000 and the lower

tier subcontractors and vendors in the hundreds of thousands. [Ref. 16:pg. 75] Though the literature uses these numbers, the researcher was unable to locate anyone that could ascertain how the figures are generated. The problem of measurement is caused by the entry and exit of firms who are part of the base. Additionally, a contractor for one contract can be a subcontractor on a another contract. [Ref. 7:pg. ii] This lower tier network from the second level tier and lower is one of the major problems among several that are recognized. It is felt that it is eroding for several reasons which will be discussed further in this section of the chapter.

1. The Ichord Report.

"As much as any single factor the industrial capacity of a country determines its ultimate success on the battlefield." [Ref. 17:pg. 2] Unfortunately, the ability of our supplier network that is the prime ingredient making up the defense industrial base is in danger of becoming too small to be effective. [Ref. 18:pg. 35] This was the major finding of a report prepared by the Defense Industrial Base Panel chaired by Representative Richard H. Ichord in 1980. Additional findings of the panel were:

- a. The problem with the supplier network is not at the prime contractor level where there exists excess capacity. The deficiencies exist at the subcontractor and lower levels.

- b. If there were a national emergency the industrial base would be unable to surge its production to meet the threat.
- c. The lead times required to obtain the equipment delineated by the military services have increased within the last several years.
- d. The manpower pool for those billets that require skilled people is shrinking and will continue to do so throughout the decade of the 80's.
- e. The Nation has become dependent upon foreign suppliers for both raw materials and specialized military components.
- f. The manufacturing base of the United States is currently the lowest of the free world industrialized nations in terms of productivity growth rate.
- g. Capital investment necessary for upgrading technology, plant and property has been curtailed because of inflation, tax policies that were unfavorable and the priorities of management. [Ref. 6:pg. 11]

Mr. Dale Church, then Deputy Under Secretary for Defense Acquisition Policy, "characterized the defense industrial base as unbalanced" Ref. 11:pg. 12] and said "while sufficient capacity generally exists at the prime contractor level to support defense programs, deficiencies exist at the subcontractor and vendor levels." [Ref. 19:pg. 3] A Defense Science Board Task Force found the base was shrinking. According to the task force "there was a reduction of 1500 suppliers from the 6000 that had participated in . . . a . . . program during the previous year." Further the task force noted that for another program the bids received had declined by 40 percent from one year to the next. [Ref. 6:pg. 12] There have been several reasons cited for this

stated decline. Among these was the instability of defense programs, especially for the lower tier contractors who are usually harder hit than the larger primes by the fluctuation in the program. [Ref. 11:pg. 70] Another complaint has been voiced by a trade association, that represented manufacturers of materials handling equipment, about the Defense Department's stringent application of material specifications that were well beyond the existing commercial standards and practices. [Ref. 20:pg. 20] Other problems cited were "excessive administrative requirements, sporadic procurement practices and restrictive documentation, plus a lack of flow down benefits from the prime contractors." [Ref. 11:pg. 70] The subcontractors testified that they also suffered more from the paperwork that was associated with defense work than the larger firms. In fact, the subcontractors stated that they would rather stay with and perform commercial work than do defense work. [Ref. 6:pg. 13-14] A partial list of paperwork that a small firm was required to comply with in order to do business with the Government during this time period follows:

- * DoD 250 special shipping documents on small dollar orders;
- * changes in accounting systems to satisfy the cost Accounting Standards Act (P. L. 91-379);
- * data to satisfy the Truth in Negotiations Act (P. L. 87-653);

- * records reflecting compliance with various socioeconomic programs such as Equal Opportunity, Walsh-Healy, Small Business, and Labor Surplus Utilization;
- * records reflecting compliance with inspection and testing requirements, such as MIL-I-45208;
- * technical manuals and provisioning requirements beyond normal commercial manual;
- * a multitude of boiler plate provisions which require the advice of a lawyer. [Ref. 21:pg. 146-147]

It is small wonder that small firms had been found to be leaving the arena of defense business when one considers the amount of paperwork that was required. To make it even more difficult the Ichord committee noted that in one instance a small business stated that the primes added more paperwork by adding administrative burdens of their own. [Ref. 6:pg. 14] This situation has not changed according to the Wall Street Journal. A June 12, 1986 article noted that because of recent budget cuts, Northrup was sending teams of its buyers and analysts out to its suppliers to audit their books. [Ref. 22:pg. 6]

2. Industrial Preparedness Planning.

Another finding of the committee was that planning by the Department of Defense for industrial preparedness was nonexistent. This, coupled with other factors such as inadequate budgeting and weapon system procurement stretch out, had jeopardized the national security. The panel had specifically found that the planning tool (DD Form 1519)

that DOD used in measuring the potential of the industrial base to surge or mobilize was lacking in realism. [Ref. 6:pg. 18] Mr. Ichord summarized the panels concerns when he stated:

. . . one of the things that troubles me most about the situation is the apparent lack of a long range strategic plan for industrial preparedness at the Department of Defense. We have received testimony that clearly indicates that the Consolidated Guidance--the planning document used by the Department of Defense to establish its force structure--does not even address industrial preparedness. [Ref. 6:pg. 21]

What exactly was wrong with DOD planning? Was the lack of planning due to an inadequate tool? Vawter in claims that there was no truth in the statement that there was no industrial preparedness planning but that instead there was only inadequate planning with the use of the DD 1519. His claim was that the following problems exacerbated the difficulty and caused the DD 1519 to be ineffective:

- a. Requirements. The requirements levied upon industry were unclear and fluctuated so much from year to year that they were not credible to industry. Until the Services developed requirements that were realistic and were based on total mobilization that we would have no credible base with which to deal with industry.
- b. Staffing. Not enough people were assigned to the agencies and departments responsible to perform the preparedness planning.
- c. Inconsistent DOD Policy. DOD had different policies that were dichotomous to one another and that we were not planning in a mobilization context.
- d. Supplemental Planning. If the DD 1519 was used as it had been intended, further planning would not be necessary. [Ref. 1:pgs. 91-95]

The DD 1519 seems to be the primary means by which the DOD plans with industry for surge and mobilization. [Ref. 23:pg. 4] There are three other methods that are cited:

- (1) use of a Data Item Description (DID),
- (2) a direct industrial base planning method (DIBP), and
- (3) special studies. [Ref. 24:pgs. 5-1]

One author called the DD 1519 the "heart of the existing industrial preparedness planning system". [Ref. 25:pg. 27] General Accounting Office (GAO) found in a 1985 study that "it has become clear that the DD 1519 apparatus is inadequate." [Ref. 7:pg. ii] The study noted that "the further down the tiers of procurement a subcontractor is, the less likely that DOD will have requested that information the form is intended to provide." [Ref. 7:pg. 10]

3. Solutions.

Recommendations have been made and accepted that may help increase the base. Methods such as multi-year procurement (MYP) will allow some stability at least at the prime contractor level in the planning needed to upgrade their capabilities. It was noted, however, that the major primes are not the real problem and the only way that MYP will help is if the primes pass to their subcontractors this same stability.

Other programs that have been recommended are the Industrial Modernization Incentive Program (IMIP), the

ManTech program and the Production Base Analysis (PBA). The PBA is performed annually and describes the condition of the existing defense industrial base and the results of industrial preparedness planning. [Ref. 24:pgs. 9-1] The GAO noted in a report on industrial preparedness planning to Senator Nunn in 1985 that this analysis was to begin in February of 1986 and that the Air Force and Army should have no problem meeting this deadline. The Navy had not, at the time of the 1985 report, produced an analysis because it did not have a data base from which to begin. [Ref. 8:pgs. 8-9] According to personnel in the office (Logistics Plans Branch) responsible for planning and analysis, this situation had not changed and the first analysis had not yet performed. [Ref. 9] Of course none of these programs will have that much effect at the levels that are in trouble, if the lower level suppliers either do not exist or are not inclined to do business with the Government because they do not know how to begin. This is one area that the Navy procurement workshops can possibly be of benefit.

4. Summary.

The industrial base has problems, most of which are found at the lower tiers of the base. This is not a new problem and has been discussed for several years, with many people making recommendations to try to correct the situation. The U.S. problem today is caused by a reluctance to

dedicate the material and resources necessary to ensure proper mobilization and surge capability. This may not be feasible because of the cost involved. We as a nation are trying to correct the problem but the efforts being made may not be adequate. Even if we do make the effort and expend the necessary resources the process of rebuilding will take a number of years.

III. COMPETITION

A. INTRODUCTION

The purpose of this section of the research effort is to acquaint the reader with the subject of competition and what the Navy has been doing with competition in the 1980's. The material is not presented as an exhaustive treatise on the subject but rather to give the reader an understanding of why the Navy feels that the workshops being conducted to increase the competitive base are important.

B. COMPETITION

In the private business world there are two very important economic objectives, survival and profit. In order for either of these objectives to be reached it is important for the purchasing agent to get the best price for the materials he purchases. Normally the best price is one which is fair and reasonable. The question then becomes what is fair and reasonable and how does one determine the price received is such. [Ref. 26:pg. 149] Competition is a method by which a fair and reasonable price can be determined.

One of the methods used in private industry to obtain the right price is competitive bidding. Private buyers usually restrict the number of bidders to eight [Ref. 26:pg. 156], whereas the Government requires full and open

competition. The use of competitive bidding is dictated, according to Dobler, Lee and Burt, by five criteria, which are:

1. The value of the purchase in dollar terms is of enough expenditure to allow the seller and buyer to justify the expense of using the bidding process.
2. The specifications are known to both parties and are relatively clear. The seller also has to be able to accurately estimate the cost of producing the item.
3. One of the types of competition where the number of sellers is limited does not exist.
4. The sellers want the business and are qualified to produce the product or service needed. (According to Dobler, Lee and Burt this is the criterion that is least often met.)
5. There is enough time to perform the process. [Ref. 26:pg. 157]

Dobler, Lee and Burt point out that whereas adequate competition is the best method of obtaining the right price, competitive bidding will not ensure adequate competition unless all of the criteria listed above are present. In the Government arena price competition is not the best way of obtaining goods and services in many of the same instances that Dobler, Lee and Burt cite for private business. In addition to the criteria that are cited above, it has been stated that price competition cannot be expected when the Government is trying to buy research and development effort, because the proposals will not exhibit the same characteristics that would allow price comparisons. In this type of effort the second type of competition can be utilized; that

of design/technical competition which is prevalent in weapon systems development. [Ref. 27:pg. 97]

The attitude of the Government has changed in recent history from one of competing only when absolutely required (in the researcher's opinion) to one of competing every single transaction that is processed by the contracting officer. This is not entirely the case but appearances could convince the less informed that it is. A perusal of the recent literature in the trade magazines and the newspapers causes one to think this, especially if one reads the comments of the officials in DOD and Congress regarding the subject. Competition, though, is a requirement and has been beneficial. The benefit has been shown with the dollar saving that the Navy has experienced over the last few years in its drive to compete its procurements. There definitely are benefits to using competition. In Deputy Defense Secretary Frank C. Carlucci's Acquisition Improvement Program of 32 initiatives, competition was included as a key element. In a memorandum of July 1981 Mr. Carlucci said:

We believe that it reduces the cost of needed supplies and services, improves contractor performance, helps to combat rising costs, increases the industrial base, and ensures fairness of opportunity for award of government contracts. [Ref. 28:pg. 29]

Other benefits to using competition are thought to be composed of the following:

1. cuts down on or prevents waste;
2. allows greater opportunity for the Government to receive the best value for the goods and services that are required;
3. quality and design are improved;
4. cuts down on the amount of time required for a program;
5. increases innovation and the technological base;
6. reduces the need for cost and pricing data;
7. improves management and reduces contract administration, and;
8. restores public confidence. [Ref. 27:pg. 100]

The literature that the researcher reviewed was, for the most part, quiet on the subject of disadvantages concerning competition. It isn't known, by the researcher, if this is because there are no disadvantages to competition or if it is because competition is in vogue at the present and most of the writers are not prone to criticizing it. The only references that the researcher found that criticized competition were in the context of the CICA. This focused on the potential loss or erosion of the industrial base because CICA is opening competition to foreign companies. [Ref. 3:pg. 8] The only other references to problems associated with competition were that the process, not competition itself, is the true culprit responsible for any disadvantages associated with competition. [Ref. 29:pg. 15]

In summary, competition for competition sake is probably not a good idea. If used properly, though, competition is of benefit and should be used even if it were not required by the CICA. This subject (CICA) will be explored in greater detail in the next section of this chapter on competition in the Federal Government.

C. THE FEDERAL GOVERNMENT AND CICA

The Congress has become extremely interested in the Federal Government's procurement process during the decade of the 80's. This interest has been manifested in the increased use of competition. [Ref. 30:pg. 2] Congress has now mandated competition through the passage of the Competition in Contracting Act of 1984. Competition as a means by which the Federal Government would acquire goods and services is not something that just recently appeared on the scene. The statutory preference for competition in the Government goes back at least to 1809 when the Congress passed a law requiring that the Secretaries of Treasury, War, and the Navy would use one of two methods for purchases and contracts. These methods were by open purchase or by asking for proposals through advertising. This was to prevent favoritism and to provide the Government the benefits of competition. [Ref. 27:pg. 2] This situation continued for the next twenty years with the culmination in 1829 of an interpretation by the Attorney General of the United States

which stated that except in an instance where there was an urgent need for the requirement, and performance was needed immediately, that advertising was required. In 1860 a statute was enacted that required formal advertising "for all supplies and services purchased by a department of the Federal Government". [Ref. 31:pgs. 4-5] During the Civil War this was shunted aside with the passage of the Civil Sundry Appropriations Act of 1861 by which procurements would be made noncompetitively. This Act culminated in war profiteering and scandals and was revised in 1874, 1878 and again in 1910 by revised Statute 3709 which again required formal advertising as the preferred method, with certain exceptions. [Ref. 27:pg. 2] These exceptions were allowed for various reasons. The first was in 1829 for urgency, which came to be known as public exigency. This was followed by one which allowed personal services to be obtained by other than formal advertising. Other exceptions allowed were; medical supply procurements (1845), foreign purchases (1845), perishable goods (1847), purchases made because of national emergencies (1864), small purchase (1892), and when it was impractical to get competition through formal advertising (1901). [Ref. 31:pg. 5] Formal advertising then was the preferred method of procurement until 1948. This was not the case during the World Wars but after each conflagration we returned to this method. In

1948 R. S. 3709 was determined to be archaic with its strict requirement for formal advertising. It was felt in Congress that under certain conditions the departments of the Government that had proven during the Second World War that they could use negotiation as a procurement technique and not be wasteful should be allowed to continue the practice in peacetime. This resulted in the signing in 1948 of the Armed Services Procurement Act of 1947, which cited formal advertising as the preferred procurement method but authorized 17 exceptions for the use of negotiated procurement. This was the basis for much of the Armed Services Procurement Regulation which was subsequently written. Formal Advertising remained the preferred method (with 17 exceptions) through two rewrites of the procurement regulations until 1984 when CICA was passed. [Ref. 27:pgs. 3-6] The major change implemented by this Act was to make negotiation a recognized alternative to formal advertising by setting up two methods for procurement by the Government; sealed bid (which replaced formal advertising) and competitive proposals. Prior to the passage of CICA, the attitude of the Government was changing from one where a large percentage of the purchases were of a sole source nature to one ensuring that more competition was used. Within the DOD there was the call by Secretary Carlucci to use competition to reduce costs (as previously mentioned). This was

followed on 10 November 1981 with a memorandum from the office of the Under Secretary of Defense that expanded on the call for more competition by requesting each agency to:

1. Designate individuals at each procuring activity who are advocates for competition with the responsibility of insuring that opportunities for competition are not lost or foreclosed by restrictive need statements, unnecessarily detailed specifications, poor procurement planning, or by arbitrary action. (underline added)
2. Establish realistic but challenging goals for increasing competition in all buying organizations.
3. Insure that each commander who has a procurement function within his organization understands his responsibility for maximum feasible competition.
4. Make competition in systems development and production a matter of special emphasis. Acquisition strategy should be developed . . . early in the acquisition cycle [Ref. 32]

This was followed later on by a memorandum from the Secretary of Defense on 9 September 1982. In this memo the SECDEF stated that he was "convinced that we must give greater attention to obtaining competition in the placement of contracts" by the agencies within the DoD. He went on to say that the use of other than competitive means would be used only if fully justified and that no purchase action would be excluded from this requirement, nor would it be excused just because some one of high rank or level desired it. [Ref. 33] President Reagan made competition an issue for the entire Federal Government in 1983 with an 11 August memo to all of the heads of the departments and agencies.

The memo stated that except for mandated programs, such as contracting with minority firms and handicapped persons, that all "unwarranted use of noncompetitive practices must and will be curtailed" (underline added). He then asked each of them to ensure that competition was the preferred method of procurement in their departments. It should be noted that this was still only the preferred method and was not as of yet Congressionally mandated. .

DOD is a large and complex organization that employs in excess of three million people in 5600 installations worldwide and executes some 15 million contracts every year.

[Ref. 34:pg. 1] It would stand to reason then that some procurements that were transacted by the DOD would result in problem procurements. Sherman states in the opening of his book that:

. . . the first edition of this book was published in September, 1981. The media series was already in progress at that time reporting on numerous and now infamous purchases of furniture, plastic caps, hammers, coffee pots, chips and other items. The reports dealt with various forms of overpricing or deficient quality. A few . . . reflected fraudulent acts Most involved poor judgment or poor management. [Ref. 35:pg. 1]

Congress, in a reaction to all of the bad press the Government, and in particular the DOD, was receiving, began the process of trying to correct the situation by passing legislation that, in essence, required more competition. The culmination of the process was the passage in 1984 of three

laws: the Competition in Contracting Act of 1984, the Defense Procurement Reform Act of 1984, and the Small Business and Federal Procurement Competition Enhancement Act of 1984. [Ref. 27:pg. 102] (The latter two will not be addressed here as the first appears to have the greater amount of coverage and recognition. They both were to complement CICA and addressed specific areas of concern.) Public Law 98-369 (CICA) "is likely to have the greatest long term impact on the contracting operations of the government". [Ref. 35:pg. 119] The Act took several of the key points from an earlier recommendation made by the Office of Federal Procurement Policy that had been submitted to Congress in 1982. These recommendations or ideas were:

1. Use of advance procurement planning to obtain full and open competition,
2. Simplifying and streamlining the procurement process,
3. Promoting the use of commercial products, whenever practicable,
4. Requiring the use of functional specifications, whenever practicable. [Ref. 36:pg 29]

However, it took an action by Senator William Cohen (R-ME) to get the Act introduced. He accomplished this by attaching the bill to the Deficit Reduction Act as an amendment. [Ref. 34:pg. 2] The Act amended the Federal Property and Administrative Services Act, the Armed Services Procurement Act and the Office of Federal Procurement Policy Act. CICA changed substantially the process of the

Government contracting system, with the greatest change being the abandonment of formal advertising as the preferred method of procurement. It now accords equal status to competitive negotiation as a method of obtaining goods and services. This reverses almost two centuries of tradition. [Ref. 35:pg. 120] The Act, by according equal status to competitive negotiation, eliminates the seventeen exceptions that were used to justify not using formal advertising. Additionally it limits the use of other than full and open competition. [Ref. 36:pg. 29] It does allow non-competitive types of procurement to be used by the DOD but limits this to only seven exceptions:

1. If there is only one available, responsible source, and other property or services are not available for substitution.
2. Serious injury to the government would occur if the urgency was such that competition would be detrimental.
3. Restriction is needed to maintain the industrial base or for research and development work.
4. There is an international agreement.
5. If there is a statute that authorizes or requires less than full and open competition.
6. If there are National Security reasons.
7. If it is in the Public interest. [Ref. 37:pg. 6-3&5]

These exemptions, according to one author, have been difficult to interpret. Colleen Preston, cites two examples of this; (a) no clear authority exists to exclude sources to

comply with the Buy American Act and (b) it does not allow for companies to be excluded where an organizational conflict of interest exists. Finally, she claims that less than full and open competition is frowned upon and will hurt a purchasing activity statistically where there are percentage goals for obtaining new competition. [Ref. 39:pg. 6] From this one can draw the conclusion that even though there are exceptions that are allowed to be exercised, the actual incident will be minimal.

CICA established other things in addition to full and open competition, such as a new bid protest procedure. This has been causing some difficulty because of the ability of a contractor to stop action on a contract by simply filing a protest with GAO. This stops all action on the process until GAO has the time to review and render a decision. The Act also lowered the threshold requiring certified cost and pricing data to be submitted under the Truth in Negotiations Act (TINA) from \$500,000 to \$100,000. It did not require, though, that the Government audit every certification that was submitted. [Ref. 29:pg. 8] In the researcher's opinion, the fact the data is required to be submitted will almost certainly cause it to be audited, if only to cover the contracting officer in the event that someone claims that the Government is paying too much for a contract. Finally, the CICA established Sealed Bidding and Competitive

Proposals as the methods for obtaining full and open competition and to ensure that full and open competition is obtained the Office of the Competition Advocate was established.

In summary, CICA has not been with us long enough to pass full judgment on all of the supposed benefits and problems associated with it. It does appear though that by using full and open competition the Navy has been experiencing substantial savings, the extent of which will be explored and reported in the next section on competition in the Navy.

D. COMPETITION IN THE NAVY.

The Navy General Counsel determined, prior to implementation of CICA, that competition was a requirement imposed by regulation. A 1983 memorandum, prepared by the General Counsel for the Secretary of the Navy, reviewed a recent case wherein the Court determined that the Navy had a responsibility to pursue competition. The suit in question concerned an award for overhaul of aircraft which the Navy had decided to sole source. The Navy's sole source determination was based on its finding that the original manufacturer was the only source capable of performing the work within the schedule required and at an acceptable technical risk level. Another aircraft maintenance firm protested the

award and the Court found that the Navy had been correct in awarding the first 20 of 49 aircraft on a sole source basis. The Court then told the Navy to study the prospect in great detail and compete the remaining aircraft. The Navy stonewalled this order for two years and the Court allowed some of the remaining aircraft to be sole sourced, but again ordered the Navy to study and report back on the possibility of competing the remaining aircraft. The Navy once again did not, to the Court's satisfaction, perform as ordered. Specifically, the Court found that the Navy had relied on the manufacturer's estimates and had not made any real attempt to pursue competition. The Court further determined that the Navy "had violated" the requirements for competition and had acted in "bad faith" in its maneuvers with the Court and its orders. The Navy was ordered to pay litigation costs to the competitor and faced, at the time of the writing of the memo "several hundred thousand dollars" in punitive awards. The Court, in its determination of this case, dealt with 10 U.S. Code Section 2304(g) and DAR 3-101(d) that required competition to be pursued and questioned the Navy's commitment to this pursuit. The Court was not finding in these statutes and regulations that competition was only preferred. Instead there was an obligation for the contracting officer, once he determined that competition was not feasible, to act in whatever necessary capacity to preclude this

non-competitive status for subsequent procurements. The Navy counsel concluded that there was no deliberate effort by Naval personnel to "avoid procurement laws or thwart the Court's order." He felt that instead there was an "institutional bias for noncompetitive contracting." [Ref. 38]

The opinion of the counsel that there was an institutional bias for sole source procurement in the Navy is not surprising to the researcher. Secretary Lehman has not been totally unsuccessful in beginning to fight this bias as can be seen in the graph that shows competitive awards for the years during which the case was being decided (see Figure 2). As can be seen by this graph, the percentage of awards had risen from a low of 25% in 1981 to 30.5% by 1983, the year of the counsel's memo. Also in 1983, the Secretary appointed a Competition Advocate General effective 12 July 1983. [Ref. 39] This new Competition Advocate General (CAG) had as his responsibility the implementation of "new competition initiatives for programs such as subcontracting, contractor support services, and resources for multiple sourcing." [Ref. 40:pg. 1] Organizationally the CAG was placed under the Assistant Secretary of the Navy (Shipbuilding and Logistics) but reported to both the Assistant Secretary and the Chief of Naval Material. [Ref. 41] In a November memorandum to the competition advocates at the various commands, the new CAG set the tone for his activity.

NAVY COMPETITIVE AWARDS 1980-1985

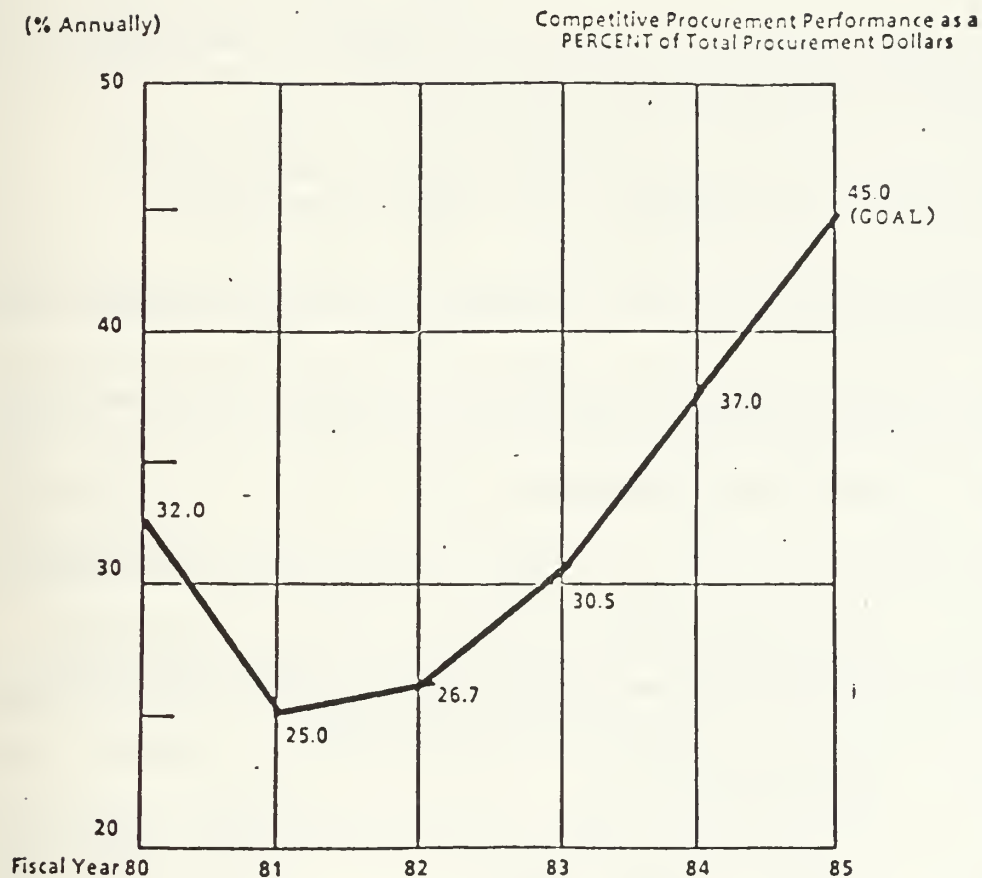


Figure 2 Navy Competitive Awards

Reproduced from material provided by the Office
of the Navy Competition Advocate General

He voiced strongly the policy of obtaining competition wherever practicable and gave the advocates some specific guidance as follows:

1. Show your commitment to competitive contracting by actions as well as words.
2. Independently determine the adequacy of sole-source justifications as you review proposed sole-source awards.
3. Encourage planning of each procurement to maximize competition, with particular attention to new starts, including research and development.
4. Ensure that specifications do not exceed minimum government requirements, and expand the use of commercial specifications.
5. Consider obtaining data packages for use in competitive solicitations.
6. Make the performance of market research a routine part of the procurement process.
7. Look hard at follow on buys.
8. Reevaluate contractors' claims to proprietary rights in data.
9. See that your command's contracting, technical, and program management people are afforded the opportunity to be trained in competitive practices.
10. Improve communications.
11. Pay particular attention to contractor support service awards proposed as sole source.
12. Take extreme care with unsolicited proposals. [Ref. 42: pg 6-8]

The CAG closed this memo with the admonition that competition in the Navy regarding procurement was going to increase. Apparently the emphasis being placed on competition

took seed during the first year of the tenure of the new CAG. On August 13 of 1984 the CAG released his first year report to his competition advocates in the field. It stated that:

1. competition goals for the previous year had been reached
2. there had been significant savings directly attributable to competition,
3. the goals for FY 1984 were going to be reached, and
4. overall the Navy had performed very well in competing its purchases. (Figure 3)

Of note in this update was the admonition to the advocates that competition for the sake of competition was not appropriate and that if a sole source procurement made more business sense, then the advocate should "promptly recommend approval of a . . . sole source award and move on to other issues." [Ref. 43: pg. 4]

On April 1, 1985 the CICA became effective. At that time the CAG was now required statutorily and the competition advocates were given new authority to ensure that full and open competition was the order of business in the Navy. [Ref. 44: pg. 2]

With the emphasis on procurement both before and after the passage of CICA the natural question is; what have been the results for the Navy? To get the answers to that question one need only turn to the FY85 annual report on Navy procurement to the Congress. It was reported that

FY1984 COMPETITIVE PROCUREMENT STATISTICS
DEPARTMENT OF THE NAVY
(DOLLARS IN BILLIONS)

<u>NAVY PROCUREMENT COMPETITION TOTALS</u>	<u>FY1982</u>	<u>FY1983</u>	<u>FY1984</u>	<u>% CHANGE FY1982-84</u>
Percent of Total Direct Procurement Dollars Awarded Competitively	26.7%	30.5%	36.9%	38%
Direct Procurement Dollars Awarded Competitively	\$9.4	\$13.2	\$14.5	54%
Percent of Individual Contract Actions Awarded Competitively	29.9%	40.0%	50.3%	68%
<u>SPARE PARTS</u>				
Percent of Aviation Supply Office Dollars Awarded Competitively	6.9%	9.1%	25.4%	268%
Percent of Ships Parts Control Center Dollars Awarded Competitively	29.4%	21.1%	35.2%	20%
Total Navy Spare Parts Procurement Dollars Awarded Competitively	\$.43	\$.51	\$1.0	133%
<u>CONTRACTOR SUPPORT SERVICES</u>				
Percent of Contractor Support Services Awarded Competitively	28.9%	36.8%	47.9%	66%

Figure 3 FY 1984 Competitive Procurement Statistics
Department of the Navy

Reproduced from material provided by the Office
of the Navy Competition Advocate General.

during FY 1985 the Navy awarded \$20.2 billion dollars competitively, placed 69% of its actions competitively, competed \$1.7 billion of its spare parts and was increasing the amount of subcontractor competition. [Ref. 45] Since then the Navy has raised these figures and met all goals for FY 1986. Half of all procurement dollars are now competed, almost three quarters of all transactions are competed and competitive awards exceed 21 billion dollars. Other significant gains were reached in the areas of spare parts (41%), Contracted Advisory and Assistance Services (65%) and small purchases were competed for over 75% of the transactions. This is of import because it indicates that the "grass roots" businesses are being reached and that there are "expanded opportunities to enter the Navy marketplace". [Ref. 46]

In summary it would appear to be evident that the Navy has been serious about competition for several years and that once it was decided that competition was to become a way of life then all hands had to get serious and make it a reality.

IV. THE PROCUREMENT WORKSHOPS

A. INTRODUCTION

Since 1983, Office of Legislative Affairs (OLA), has conducted procurement workshops in conjunction with local Congressman's staff and personnel in the Assistant Secretary of the Navy (Shipbuilding and Logistics), for the small business community. The first workshop occurred on 14 March 1983 and was conducted for Congressman Mollohan of West Virginia. [Ref. 47] The workshops are not formally mandated in that objectives are not stated in writing nor is there a written mission statement. Rather they are an informal service provided for Congressman who are interested in having the Navy provide personnel to brief the business people in their district on how to sell to the Navy and the Department of Defense. As of September, 1986 approximately ninety workshops have been conducted. Some have been very well attended and others have had minimal success in getting local businesses to attend. [Ref. 47] The average workshop numbers between seventy five and one hundred fifty participants. Several workshops included over a thousand participants but were extremely unwieldy and not very productive. [Ref. 48] The best size for the most benefit to the attendees are those where less than one hundred fifty business people attend. According to LCDR Law this is a very

manageable number that allows the most information to be dispensed to the greatest number of people and still allow questions and direct contact between the Navy and the business people involved.

B. HISTORY

In an interview with Admiral Sansone it was learned that he was responsible for initiating the present day workshops. Prior to the workshops of today, according to the Admiral, there was a program called the Federal Procurement Conference (FPC), that was used as a platform to attempt to reach the business community, and to educate the business people in how to do business with the Government. These conferences were "very big, too general, . . . and there was no individual help", for the business people who were attending who had problems, or for those who had questions and did not understand the process. [Ref. 49] Admiral Sansone stated that while he was at the Pentagon serving in the Small Business Program in 1968, the FPC fell into neglect and declined into a totally ineffective program. By 1978, when Admiral Sansone (then serving as Deputy Chief of Naval Material for Contracts and Business Management (CBM)) was traveling the country with then Secretary of the Navy Hildalgo, he noted that the business community wanted help. He became convinced that a program such as the present

one was needed. "A small program that would focus on the Navy given by the Navy leaders in the field would work." [Ref. 49] The Admiral felt the personal approach was needed. He thought this would help generate more competition by enabling the small business person to find out that it was not impossible to find one's way through the maze of what were perceived as the difficult acquisition regulations the Navy used in its' contracting process. Acting on this perceived need to have a program that would effectively aid the small business person in getting over the first hurdle and become knowledgeable on how to do business with the Government, Admiral Sansone, directed that his personnel work with the OLA to set up the program. The CBM was a staff position at NAVMAT and was responsible for establishing business policy for the Systems Commands. (see Figure 4)

C. TODAY

The program has not deviated greatly from the way that Admiral Sansone set it up. The Office of the Assistant Secretary of the Navy (Shipbuilding and Logistics) now acts as the Navy focal point to support the program with personnel to provide the briefings, because NAVMAT has been disestablished. NAVMAT was disestablished in 1985 because SECNAV wanted to remove a layer of bureaucracy that he felt was nonessential. However, SECNAV pulled under his direct

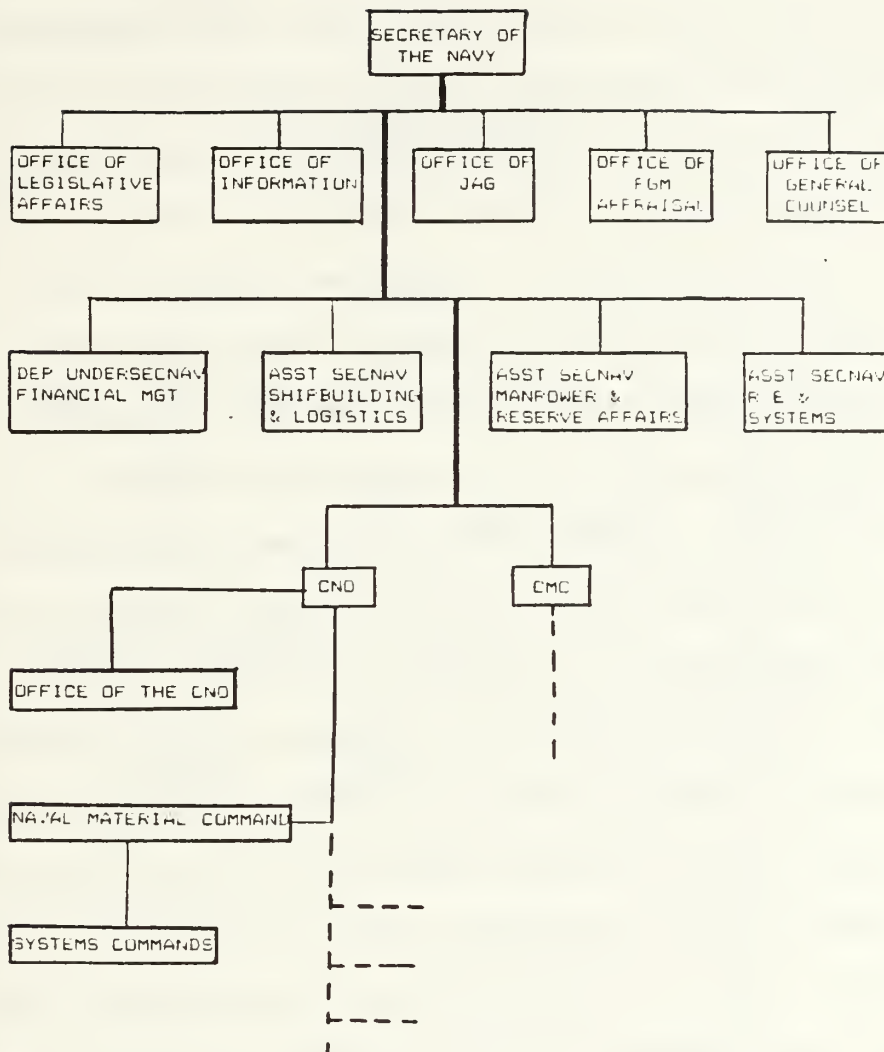


Figure 4 Organization of the Department of the Navy

Reproduced from instructional material provided in "Financial Management in the Armed Forces" course at NPS.

authority some of the staff functions that NAVMAT used to oversee and that he felt were necessary for the effective management of the acquisition process. One of the staff functions that moved was the CBM. They remain responsible for providing the people that do the brief and the information that goes into the brief. (Figure 5) According to LCDR Bob Law of the OLA, the briefer is always a Supply Corps Admiral. The significance of the Navy using an Admiral to do the brief is in itself of import. What this shows to the business people, who attend the workshop, is that the Navy is serious in trying to get their message across. It is impressive to have a Navy Admiral address the audience. This is not just the researcher's opinion. Several of the attendees expressed this feeling in conversations with the researcher. They felt that this showed a real commitment on the part of the Navy in trying to help them. The use of a Supply Corps Admiral is also significant, because the Supply Corps is the business management unit of the Navy. It is the community that is the closest approximation in terms of business related matters to the civilian business community. A perusal of the brochures announcing the workshops, that the researcher was able to obtain, shows the Admirals that conducted the brief to be well educated (one holds a PhD) in

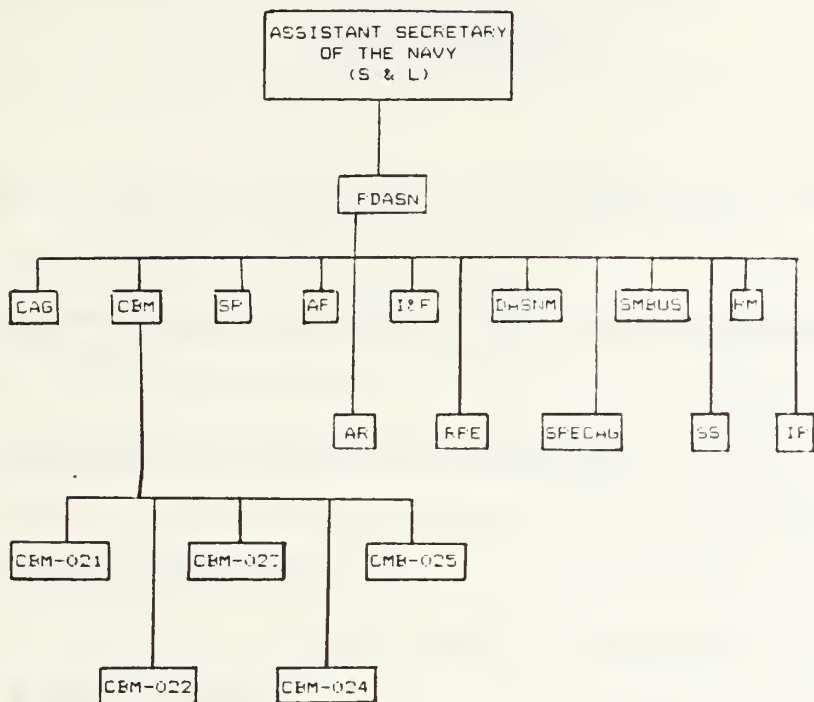


Figure 5 Office of the Assistant Secretary of the Navy (Shipbuilding & Logistics)

Reproduced from SECNAVINST 4200.89A of 24 MAY 1985.

business management. All had held several different procurement related jobs during their careers and were recognized leaders in the field of procurement.

The workshop attended by the researcher was essentially the same as what Admiral Sansone, in our interview, described as the workshop that he and his personnel established. The format for the workshop that the researcher attended was as follows:

1. Opening Remarks

The Admiral began the program by stating the purpose of the workshop. This, essentially, was how the person sitting in the audience could do business with the Navy. After this opening statement he set the agenda (Figure 6) for the morning brief. During this part of the brief the Admiral used the analogy of a Rubic's cube to describe how he imagined the attendees felt when faced with trying to do business with the Government. In the beginning the businessperson would look upon doing business with the Government, with the regulations and paperwork required, with the same attitude as one looks at a Rubic's cube when trying to solve it. Much of the time the person would feel complete and total frustration, which would lead them to think that it could not be done. The Admiral felt though that after the brief the audience would at the very least know where to get the information that would let them do the job.

AGENDA

- **CONTRACTING STATISTICS**
- **CONTRACTING ENVIRONMENT**
- **NAVY ORGANIZATION**
- **"HOW TO"**
- **DISTRICT**
- **QUESTIONS**

Figure 6 Agenda

Reproduced from material provided by the Office of
Asst SECNAV (S & L)

2. The Movie

The next item was a movie that was intended primarily to instill excitement and generate enthusiasm with its depiction of hustling Navy personnel busily performing their assigned tasks. Underneath all of the excitement of airplanes taking off and landing on the pitching deck was a second message. At the end of the film the Admiral stated that the carrier represented a 5,500 person floating city that made up a potential market for many of the goods and services that the business people in the audience could provide. To emphasize this, a transparency was shown that listed several of the common items that could be supplied by the business people present. (Figure 7)

3. The Brief

The majority of the rest of the morning session dealt with the agenda as shown at Figure 6. The first item discussed was statistical data that showed the total FY85 DOD contracting effort in dollars by Service. This total was 158 billion dollars with the Navy spending 52.1 billion dollars of that total. (Figure 8) The next transparency was of particular interest to many in the audience. It showed the amount of the contract actions and contract dollars that went for small purchases vice large contracts. (Figure 9) It was pointed out that the 3,106,000 small purchase actions of 25,000 dollars or less represented a

A NUCLEAR CARRIER

LENGTH OF ELECTRICAL CABLE	623.6 MILES
REPAIR PARTS INVENTORY	95,000 LINE ITEMS \$145 M
PIPE AND TUBING, 1/4" DIA. AND LARGER	230 MILES
STRUCTURAL STEEL	100 MILLION POUNDS
AIR CONDITIONING	TOTAL CONNECTED LOAD FOR 400 HOMES
FOOD	375,000 MEALS PER MONTH \$2 M INVENTORY
RETAIL MERCHANDISE	\$3 M ANNUAL SALES \$750,000 INVENTORY

Figure 7 A Nuclear Carrier

Reproduced from material provided by the Office of
the ASST SECNAV (S & L)

**DEPARTMENT OF DEFENSE CONTRACTING
FY 1985 (\$ BILLIONS)**

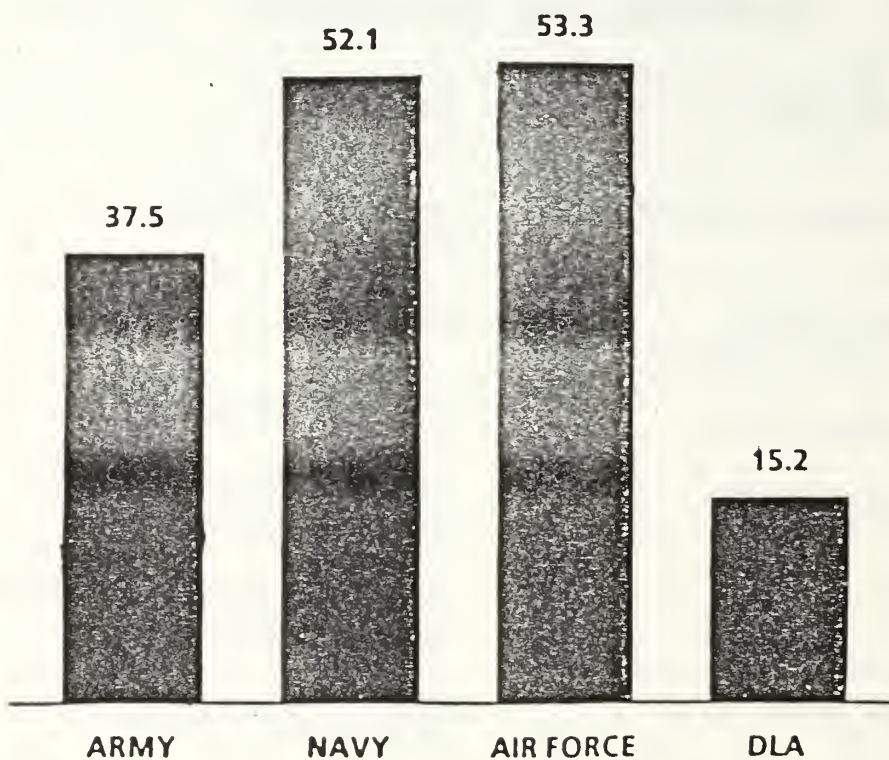


Figure 8

Department of Defense Contracting FY 1985

Reproduced from material provided by the Office
of the ASST SECNAV (S & L)

NAVY CONTRACT STATISTICS FY 1985

CONTRACTS / PURCHASE ORDERS (000)

SMALL PURCHASE	3,106	(97%)
LARGE CONTRACTS	82	(3%)

DOLLARS (BILLIONS)

SMALL PURCHASE	3.4	(6%)
LARGE CONTRACTS	48.7	(94%)

Figure 9 Navy Contract Statistics FY 1985

Reproduced from material provided by the ASST
SECNAV (S & L)

real opportunity for many in the audience. The Admiral then discussed the contracting environment. This environment is made up of numerous statutes, regulations, directives and policies. These are the concerns primarily of the contracting officer and should not (emphasis was placed on the "should not") impede the smaller businesses that wished to do business with the Government. The remainder of this section of the brief dealt with the contracting activities that placed many of the requirements for the goods and services that the audience could provide. (Figure 10) The Admiral finished this part of the brief by showing the number of the 3,106,000 contract actions (small purchases) that were placed by the field contracting offices. He stated that these actions which totaled 12.5 billion dollars, represented the best opportunity for the smaller businesses to receive a piece of the Navy's business. The Admiral then pointed out the amount of the 12.5 billion that went to small business (Figure 11) and that if the purchase action was less than 25,000 dollars, the Navy was required to award to a small business concern if possible. The last part of the contracting environment that was discussed had to do with Figure 9 subcontracting opportunities. It was pointed out that of 46.1 billion dollars (DoD) that went to small business, 20.1 billion dollars was to subcontractors. (Figure 12)

MAJOR NAVY REQUIREMENT ACTIVITIES

ACTIVITY	RESPONSIBILITIES
NAVAL AIR SYSTEMS COMMAND	NAVY AND MARINE CORPS AIRCRAFT AND ENGINES • AIR LAUNCHED MISSILES • AVIONICS • AIRBORNE DRONANCE • ASSOCIATED LAUNCHERS & ELECTRONICS SMOBUDYS • TARGET DRONES • PHOTOGRAPHIC, ASTRONAUTICAL & METEOROLOGICAL EQUIPMENTS
SPACE AND WARFARE SYSTEMS COMMAND	SPACE SYSTEMS • FORCE LEVEL WARFIGHTING SYSTEMS • SHIPBOARD & SHORE-BASED ELECTRONICS COMMUNI- CATIONS, ELECTRONIC COUNTERMEASURES, NAVIGATION • FIXED UNDERWATER SURVEILLANCE SYSTEMS • SATELLITE COMMUNICATIONS • LANDING AIR TRAFFIC CONTROL AIDS
NAVAL FACILITIES ENGINEERING COMMAND	NAVY AND MARINE CORPS PERMANENT FACILITIES CONSTRUCTION, MAINTENANCE AND REPAIR • CRANES POWER PLANTS, FLOATING PILEDRIVERS, BOILER PLANTS, ELECTRICAL GENERATORS
NAVAL SEA SYSTEMS COMMAND	SHIPS & SUBMARINES • BOATS & WATER BORNE CRAFT • SHIPBOARD ORDNANCE & ASSOCIATED LAUNCHERS & ELECTRONICS • SURFACE LAUNCHED MISSILES, PROJECTILES TORPEDOES, MINES • SHIPBOARD RADARS & FIRE CONTROL SYSTEMS • MARINE CORPS AMPHIBIOUS VEHICLES • DEMOLITION, SWIMMER VEHICLES & WEAPONS
NAVAL SUPPLY SYSTEMS COMMAND	ACQUIRES THOSE SUPPLIES AND SERVICES NOT ASSIGNED AS THE RESPONSIBILITY OF THE OTHER SYSTEMS COMMANDS

Figure 10 Major Navy Requirement Activities

Reproduced from material provided by the Office of
the ASST SECNAV (S & L)

**NAVY
SMALL BUSINESS AWARDS
FY 85**

TOTAL SMALL BUSINESS AWARDS	\$7.0 BILLION
SMALL BUSINESS SET ASIDE	4.0 BILLION
SMALL & DISADVANTAGED - 8(A) PROGRAM	468 MILLION
SMALL & DISADVANTAGED - DIRECT	259 MILLION
WOMAN-OWNED SMALL BUSINESS	165 MILLION
CTHER SMALL BUSINESS AWARDS	2.1 BILLION

Figure 11 Navy Small Business Awards FY 85

Reproduced from material provided by the Office of the
ASST SECNAV (S & L)

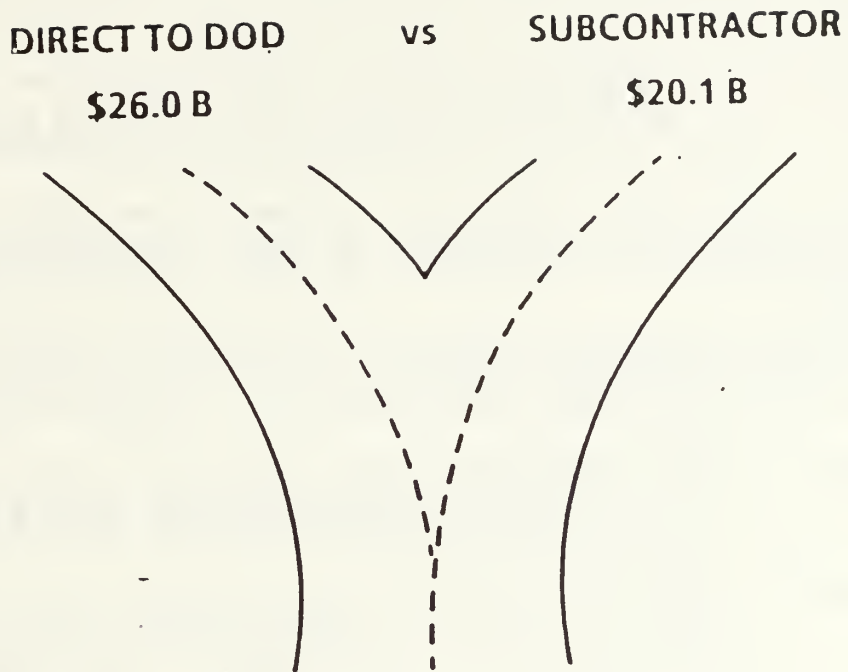


Figure 12 Small Business

Reproduced from material provided by the Office of
the ASST SECNAV (S & L)

The next item on the agenda for the brief was the "How to". This encompassed five areas (Figure 13) and was the most lengthy and detailed item on the agenda. The first area discussed, was how to make the capabilities of the contractor known to the Government. The Admiral pointed out that the best tool to use to learn how to do this was a pamphlet entitled Selling to the Military. (Figure 14) According to the briefing material the publication was important because of the information that it provided to the business person. This included information on the Bidders Mailing List, the Government's system of specifications, and the numerous sources of information needed by the business person that would enhance his ability to contract with the Government. After discussing this important piece of information, the Admiral turned to the Commerce Business Daily (CBD). He pointed out to the audience how to obtain the CBD (by subscription or at the Library) and that it presented to the potential contractor a synopsis of the Government's needs and requirements. He then explained to the business people how to use the CBD.

The next area covered information on prime and sub-contracting. In this part of the brief the rest of the publications made available to the audience were commented on and explained. These publications were:

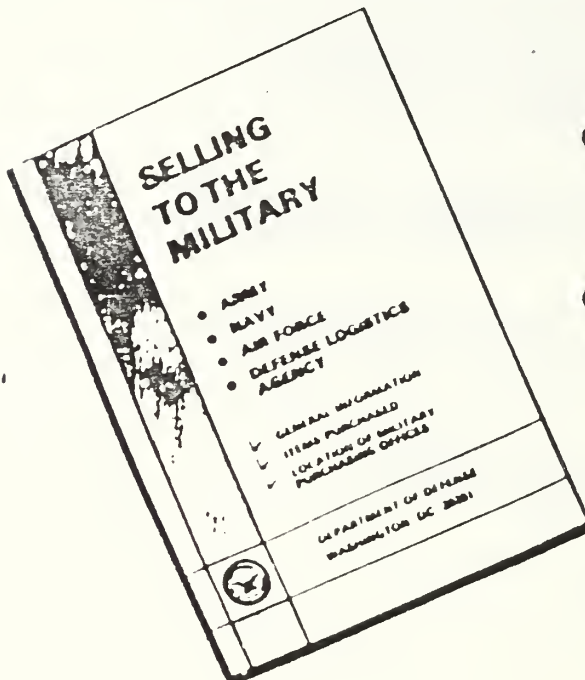
"HOW TO"

- **MAKE CAPABILITIES KNOWN**
- **CONTRACT AS A PRIME CONTRACTOR**
- **CONTRACT AS A SUBCONTRACTOR**
- **OBTAIN AVAILABLE HELP**
- **AVOID PITFALLS**

Figure 13 "How To"

Reproduced from material provided by the Office
of the ASST SECNAV (S & L)

MAKE CAPABILITIES KNOWN



- MAJOR DOD BUYING OFFICES
- BIDDER'S MAILING LIST APPLICATION

Figure 14 Make Capabilities Known

Reproduced from material provided by the Office of
the ASST SECNAV (S & L)

- a. Navy Small and Disadvantaged Business Personnel Directory. The purpose of this directory is to establish improved communication with small firms so that the Navy may take full advantage of their innovative ideas and capabilities, thereby achieving significant savings in contracting for research and development services as well as production items. [Ref. 50: pg. 1]
- b. DOD Small and Disadvantaged Business Utilization Specialists. This directory does essentially the same as the Navy directory except on a DOD basis. It lists by state and region the people tasked with helping the small and disadvantaged business person establish and maintain a relationship with the Government. [Ref. 51]
- c. Small Business Subcontracting Directory. This is a compilation of DOD prime contractors with the name and number of their Small Business Liaison Officer. Also included is their product or service that is being provided to DOD. [Ref. 52]
- d. Guide to the Defense Contracting Regulations for Small Business, Small Disadvantaged Business and Women-owned Small Business. This guide explains, in simple language, the basic purchasing rules and regulations of the Department of Defense. [Ref. 53:pg. v]

Though all of the publications are important and should be used by those wishing to do business as a prime or subcontractor, the Admiral stated that the last of these was, in his estimation, the most important. He felt that this one explained all that the business person needed to get started in contracting with the Government. The Admiral then finished the "How to" portion of the brief with a discussion of the "Six Myths" of contracting with the Government (Figure 15) These were six problems or concerns that business had stated as being reasons that they did not want to get started in contracting with the Government. Each of the

MYTHS

- KNOW SOMEBODY
- TOO HARD
- DON'T MAKE WHAT THEY BUY
- DON'T PAY ON TIME
- ONLY BUY FROM PRIMES
- MONEY NO OBJECT

Figure 15 Myths

Reproduced from material provided by the Office
of the ASST SECNAV (S & L)

myths were discussed, with the Admiral offering rebuttal on why each was not true.

The final part of the brief dealt with avoiding pitfalls. This actually was more of a dissertation on how the Navy and DoD had, through the use of competition, begun combating the allegations of waste and mismanagement that had cropped up recently. The Buy Our Spares Smart (BOSS) program was discussed as one solution, to the allegation of cost mismanagement, for the Navy. Statistical data were presented that portrayed how the Navy, through the use of this and other competition measures, had reduced the price to the Government for many of the goods that it required. It was pointed out that this program benefited the smaller businesses because of its policy of breaking out the spares business from the prime that manufactured the system. The spare parts were now being competed which opened up more opportunities for the smaller businesses to compete and win contracts.

The Admiral, in summing up the lengthy presentation which lasted several hours, stated that the best way for those in the audience to succeed was to provide timely delivery of a quality product at a reasonable price. (Figure 16)

FORMULA FOR SUCCESS



Figure 16 Formula for Success

Reproduced from material provided by the Office of
the ASST SECNAV (S & L)

4. Questions

Immediately after the formal brief by the Admiral, he threw the floor open to questions. The audience, which was comprised of men and women in various modes of dress from business suits to open necked shirts and work boots, for the most part did not ask questions of the Admiral. There were a few, though, and these dealt primarily with problems contractors were experiencing on current contracts. The problems discussed all had to do with late payment by the Government. The Admiral was not able to give an answer on the spot. He did give out his office phone number and asked those present who had a problem now, or in the future, to please call and he assured them that they would receive an answer.

This ended the workshop for the morning session. Those who were interested were asked to return that afternoon for an opportunity to meet with the small business representatives of the major defense contractors.

5. Afternoon Session

That afternoon the major defense contractors had tables set up with material explaining their company's policy towards obtaining subcontractors. In attendance were

the procurement officers or the small business representative from Grumman, Lockheed, Sperry, McDonnell Douglas, Raytheon and Harris Corporation. This representation by the major defense contractor at the workshop was, according to LCDR Law, not a regular item. Their presence was dependent on two factors. The first was if the Congressman desired them to be present. The second and overriding factor was if the estimated attendance would warrant the time, effort and cost that the major defense contractors would expend. If the number was estimated to be too few then the representatives were not asked to come. [Ref. 47]

D. SUMMARY

The brief by the Admiral, though lengthy, was not of the detail that would allow the small business person to immediately bid on and successfully receive a contract with the Navy. However, it was, in the researcher's opinion quite good from the aspect of giving information needed by the attendees to allow them to begin doing business with the Government. It gave them the wherewithal to seek the information to enable them to become competitive. The presentation gave the impression that it was not impossible to do business with the Government provided that the business person is willing to put forth the needed effort to understand the regulations the Government has to work with. It was emphasized that even though it was not impossible to be

successful, there were pitfalls that had to be avoided and it was not as simple as doing business in the commercial world.

A point made by Admiral Sansone concerning the workshops was that, with the Competition in Contracting Act of 1984 (CICA) and the establishment of the Competition Advocate General's, it might be thought that there would no longer be a need for the procurement workshop in the future. The Admiral stated that even though competition is required by the passage of CICA, and more emphasis placed by establishment of the CAG, the Navy still needs this program. There is a fear on the part of small business people that the process is difficult to understand and it is too hard to become involved. The procurement workshops could be used as a vehicle to help those that were hanging back by showing that it wasn't impossible. The Admiral's contention was that the workshops were effective and desired by the business community. He felt the personal approach was not something the CAG had the personnel to provide, nor was this their proper role.

V. THE QUESTIONNAIRE

A. INTRODUCTION

A questionnaire was used by the researcher to gather responses from the business people who attended the procurement workshops.

The objectives of the questionnaire were threefold:

- (1) to provide formal feedback to the Department of the Navy to allow them to assess the workshops and determine if they needed to be revised in order to better serve the audience that they were trying to reach,
- (2) to determine if the respondents to the questionnaire felt that the workshops had been worth the effort of attending in that they had benefited by receiving information that would allow them to attempt to do business with the Government,
- (3) to attempt to determine if the workshops were successful in the stated objectives of strengthening the DIB and increasing competition in the small business arena.

In the development of the questionnaire Mr. Stanley Payne's book, The Art of Asking Questions, was used to provide guidance on how to write the questions. An attempt was made to have as few open ended questions as possible and to use questions that would have set answers which the respondent could simply check off. With some of the questions this was not possible, but these were kept to a minimum and were descriptive in nature. They were used to gather information about the respondent's company. The questionnaire is included as Appendix A and the reason for

the use of each question will be discussed in this section.
The data will be presented and discussed in Chapter Six.

B. THE QUESTIONS

1. How did you become aware of the Navy Procurement Workshop?
 - a. Notification by the Dept. of the Navy ()
 - b. Notification by Congressman ()
 - c. Notification by Chamber of Commerce ()
 - d. TV/Radio Advertisement ()
 - e. Local newspaper ()
 - f. Other ()

This question was intended to provide information to the Navy as to the method/medium by which the respondent was made aware of the workshop.

2. A. What type of material/service does your business produce/perform?

B. What is your primary Standard Industrial Classification code (SIC)?

The purpose of these two questions was to allow the researcher to attempt to classify the respondent's company as either a manufacturing or service company.

3. Please state the first 3 digits of your zip code.

This question should allow the researcher to ascertain the general area of the country that the respondent was from.

4. Please indicate the approximate number of your employees.

5. What approximately is the annual sales figure for your company rounded to the nearest thousand dollars?

These two questions were used to determine if the company or business of the respondent was small or large.

6. About what percentage of your sales are with the Department of Defense?

	Prime contractor	Subcontractor
0	()	()
under 10%	()	()
11 to 30%	()	()
31 to 50%	()	()
51 to 75%	()	()
above 75%	()	()

This question allowed the researcher to determine the respondent's experience level in dealing with the DOD.

7. Why did you attend the workshop?

- | | |
|----------------------------------|-----|
| a. curiosity | () |
| b. problem with current contract | () |
| c. wanted information | () |
| d. wanted to see congressman | () |
| e. sell to Navy | () |
| f. sell to Govt. | () |
| g. other | () |

This question was used to determine the reason for their attendance. Were they seriously interested in the workshop or merely curious? Were they there to learn how to sell to the Navy and Government or to see their congressman because of a problem?

8. Prior to your attendance at the workshop, did you feel that you knew how to sell to the Government?

- A. Yes () B. No ()

This question was an attempt to determine if they felt they had enough knowledge of the acquisition process used by the Government to allow them to sell to the Government.

9. A. Had you bid on a Government contract prior to attending the workshop?

As a prime contractor A. Yes () B. No ()
As a subcontractor C. Yes () D. No ()

- B. If yes, did you receive the award of the contract?

As a prime contractor A. Yes () B. No ()
As a subcontractor C. Yes () D. No ()

- C. If no, what was the reason?

a. bid was too high ()
b. didn't understand process ()
c. found to be not responsive by
contracting officer ()
d. problems with Prime ()
e. other ()

These questions were used to determine if the respondent had bid on a contract before attending the workshop and to see if she had received the award. If she had not been successful then the last part (C) would show the reason.

10. A. Did you have a Government contract that you were currently working on when you attended the workshop?

As a prime contractor A. Yes () B. No ()
As a subcontractor C. Yes () D. No ()

- B. If yes, were you having difficulty with the contract?

As a prime contractor A. Yes () B. No ()
As a subcontractor C. Yes () D. No ()

C. If you were having difficulty, what was the problem?

- a. specification ()
- b. burdensome paperwork ()
- c. late payment or nonpayment ()
- d. audit procedures ()
- e. other ()

These questions were used to determine if the respondent had a contract at the time of his attending the workshop and to find out the nature of the problem.

11. A. If you had a contract and were having a problem, did you receive information from the workshop on how to resolve it?

A. Yes () B. No ()

B. If no, what was the reason?

- a. too many people, couldn't ask for help ()
- b. asked question, got run around ()
- c. didn't understand answer ()
- d. forum did not allow for questions ()
- e. other ()

C. If yes, were you able to resolve the problem?

A. Yes () B. No ()

D. If no, what was the reason?

- a. guidance was faulty ()
- b. did not understand guidance ()
- c. asked question incorrectly ()
- d. Navy did not have answer ()
- e. problem had no solution ()
- f. other ()

These questions were used to determine if the respondent had a problem on a current contract, did he receive information that allowed him to correct the problem. These questions

were applicable only if the respondent was working on a Government contract and had a problem.

12. If, after attending the workshop, you bid on a Government contract, either in a prime or subcontract capacity, and were successful, do you feel that your attendance at the procurement workshop was instrumental in your receiving the award?

A. Yes ()

B. No ()

This question was a measurement of the effectiveness of the procurement workshops in getting information to the attendees that would allow them to successfully do business with the Government.

13. If no, please state briefly why you feel that the workshop did not help in your obtaining an award.

This question was a follow on to number twelve and hopefully would provide constructive criticism which would allow the Navy to change its program if it felt the necessity.

14. A. If you have not done business with the Government do you intend to in the future?

A. Yes ()

B. No ()

B. If no, what is the reason?

- a. not interested ()
- b. too hard/complicated ()
- c. burdensome paperwork ()
- d. instability of govt business ()
- e. Govt bidding methods ()
- f. low profitability ()
- g. other ()

15. A. If you are doing business with the Government,
do you intend to quit?

A. Yes () B. No ()

B. If no, what is the reason?

- a. late payments or nonpayment ()
- b. burdensome paperwork ()
- c. delays in making ()
- d. had problems with current
contract, tried to get help at
the workshop and didn't ()
- e. more attractive commercial
ventures ()
- f. unfair application of regulations ()
- g. inflexible procurement policies ()
- h. other ()

The previous two questions were included to determine if the people attending the workshops were going to attempt to do business with the Government if they had not, or if they were currently doing business, were they going to quit? From the responses the researcher felt that the effectiveness of the workshop in attaining the objectives of strengthening the DIB and increasing competition could be measured.

16. How would you rate the workshop in respect to the amount of information and understanding that you received by attending?

good () average () poor ()

17. Did you receive information at the workshop that you previously had not known about?

A. Yes () B. No ()

Questions sixteen and seventeen were intended to measure the effectiveness of the briefing personnel in getting their

message to the attendees that selling to the Government was possible.

18. After attending the workshop did you feel that you could now sell to the Government?

A. Yes ()

B. No ()

This question was used to determine if the workshop had helped those attendees who had answered no to question number eight, but, after attending, now felt that they could be successful in obtaining Government contracts.

19. If after attending the workshop you were successful in obtaining a contract with DOD or other Government agency, did the number of employees that you have:

increase (), Amount

decrease (), Amount

stay same ()

This question was an attempt to determine if the workshops had any effect on the labor force, for those respondents that had been successful in receiving a Government contract.

20. Question number twenty was for information only for the Navy and will be released only to the Navy OLA.

21. If you were conducting the workshop how would you improve it?

- a. make them smaller (fewer attendees) ()
- b. have more of them ()
- c. address problems (more presenters) ()
- d. allow for more questions ()
- e. not conduct them ()
- f. other ()

This question was intended to provide the respondent the means to critique the workshop, In addition, the responses can be used by the Navy to alter the workshops methodology.

C. SUMMARY

The purpose of using a questionnaire was to provide feedback to the Navy and determine the effectiveness of the workshops in meeting their objectives.

The next chapter will discuss the respondents answers to the questions with an attempt to analyze the answers.

VI. RESULTS OF THE QUESTIONNAIRE

A. INTRODUCTION

Of the 90 workshops that had been conducted as of the beginning of this study, the researcher attempted to obtain lists of the attendees for 15 of them. LCDR Robert Law, of the OLA picked the 15 that he felt the researcher would have the best chance of obtaining. The criteria that he used to pick the 15 were:

1. Date of the workshop. Workshops conducted in 1983 were not chosen. The reason for this was that the likelihood of the Congressman's staff who had worked on the project remaining in his employee was felt to be small. Also, LCDR Law felt that the record of the attendees having been retained would be minimal.
2. Personal knowledge. LCDR Law felt that it would be better to pick the ones that he felt had had a good attendance response and the Congressman's staff had kept records of the attendees that included addresses.

The researcher then called a key staff person in the office of the Congressman who had been chosen. Of the 15 called, 11 provided lists of attendees. The lists ranged from being very detailed and complete concerning the information required, to a couple that were not sufficiently detailed to provide an address for all attendees. However the lists gave the researcher approximately 2,000 names from which to sample. The researcher had decided to send from between 500 and 1000 questionnaires to the attendees depending on the size of the population from who the sample would be drawn.

Because of the slowness in receiving the questionnaires from the staff members the researcher, at first, mailed questionnaires to all of the names on each list as it arrived. The only elements excluded from the sample were those determined to be representatives of a major defense company or Government employees. This was done for approximately the first 500 to 600 questionnaires mailed. The remaining questionnaires were mailed on a random basis to the names provided, again applying the exception of major defense companies and Government employees. The reason for this was because of the desire to sample the population as broadly as possible without exceeding the 1,000 questionnaire limit. Of the 1,000 questionnaires mailed, 249 were returned. However, only 239 could be used as part of the sample. The 10 that were not, only partially answered or the answers were too incongruent.

One of the purposes of doing the questionnaire was to try to measure the effectiveness of the workshops in strengthening the DIB and increasing competition. The researcher was able to conclude that these objectives were reached. However, because of an inability to determine the base from which to begin a measurement, the researcher could not quantify either objective.

B. ANALYSIS OF THE QUESTIONS

1. How did you become aware of the Navy Procurement Workshop?

METHOD	NUMBER	% TOTAL
a. Navy	16	6.7
b. Congressman	110	46.0
c. Chamber of Comm	32	13.4
d. TV/Radio	2	.9
e. Newspaper	21	8.8
f. Other	58	24.3

By far the most effective method of notification was via the congressional staff. This would be expected because of the structure of the program that leaves the promotion of the workshops to the congressional staffs. It appears that the commercial advertising media has not been an effective source of notification. Of the 58 that were marked other, the largest number had been made aware of the workshop through the Commerce Business Daily (CBD) (41). The remaining 17 were informed by friends, supervisors and professional organizations other than the chamber of commerce.

2. A. What type of material/service does your business produce/perform?

B. What is your primary Standard Industrial Classification code (SIC)?

Using the information provided in question number 2, or, where it was not clear, by calling the respondent, the researcher classified the business of the attendee as either a manufacturing or service company. Of the 239 respondents

it was determined that 87 (36%) were manufacturing companies and 152 (64%) were service companies. This finding is reflective of the current status of business enterprises in the country and substantiates the findings discussed in Chapter 2 with regard to the diminishing manufacturing base.

3. Please state the first 3 digits of your zip code. This question was for the use of the researcher and the information obtained was not intended for release.

4. Please indicate the approximate number of your employees.

5. What approximately is the annual sales figure for your company rounded to the nearest thousand dollars?

The answers to questions four and five were used in conjunction with FAR, Part 19 (Small Business and Small Disadvantaged Business Concerns) to determine if the respondent was a small business or other than a small business. The breakdown of the 239 respondents is as follows:

small - 193 (81%)	large - 46 (19%)
-------------------	------------------

Even though the sample was somewhat skewed by the fact that the researcher made an effort to screen out known large defense contractors, the number of large businesses screened out of the sample was not significant.

It is obvious that the majority of businessmen attending the workshops were from small businesses. Though not reflected in the presentation of the data, the majority of the respondents classified as large businesses only marginally exceeded the FAR criteria for small business. It is apparent that the primary impact group is small businesses. The findings of the research, will as a result, be influenced by attitudes and perceptions of this group.

6. About what percentage of your sales are with the Department of Defense?

	Prime contractor	Subcontractor
0	140	174
under 10%	70	36
11 to 30%	15	18
31 to 50%	6	6
51 to 75%	8	5
above 75%	0	0

The vast majority of respondents have done no business with the Department of Defense. For those who had performed as defense contractors the defense work was a very small percentage of their business base. By their attendance at the workshop, they indicated at least an interest in increasing their DoD involvement. Their indicated lack of DoD experience is not indicative of a total lack of Government contracting experience. Several stated on the questionnaire that they had performed work for other agencies of the Government.

7. Why did you attend the workshop?

a. curiosity	13
b. problem with current contract	26
c. wanted information	90
d. wanted to see congressman	5
e. sell to Navy	105
f. sell to Govt.	35
g. other	0

The reasons for attendance at the workshops ran the gamut of the answers provided. The numbers do not sum to 239 because, for this question, as in other instances, some respondents checked more than one answer. As can be seen, the preponderance of the respondents were seeking information and were pursuing expanded opportunities to sell to the Navy. Neither of these answers is particularly surprising since the workshop was conducted by the Navy and the majority of the respondents had stated they had not had any sales with the DoD.

8. Prior to your attendance at the workshop, did you feel that you knew how to sell to the Government?

A. Yes 109 B. No 130

The researcher was surprised at the number of respondents who indicated that they felt they knew how to sell to the Government. Why would businessmen who knew how to sell attend a "how to " workshop? It could be surmised that the small businessmen were taking advantage of an opportunity to reassure themselves that they did know what they thought they knew.

9. A. Had you bid on a Government contract prior to attending the workshop?

As a prime contractor	A. Yes	127	B. No	112
As a subcontractor	C. Yes	76	D. No	163

B. If yes, did you receive the award of the contract?

As a prime contractor	A. Yes	80	B. No	47
As a subcontractor	C. Yes	57	D. No	23

C. If no, what was the reason?

a. bid was too high	33
b. didn't understand process	21
c. found to be not responsive by contracting officer	7
d. problems with Prime	1
e. other	8

The breakdown of the other category was as follows:

(1) solicitation was canceled	1
(2) not selected from short list	2
(3) contract was too large	2
(4) minority set aside	1
(5) didn't know why	2

It is interesting to note that although only 109 respondents indicated that they knew how to sell to the Government, 127 had actually bid on Government contracts. This phenomenon will be discussed under correlations at the end of this chapter. Of those who had bid, 63% had been successful as primes and 75% had been successful as subcontractors. Of those who were not successful, the predominant reason for their not receiving the award was their bid was not the

lowest submitted. It must be remembered, though, that where there are more than two bidders, there will be more losers than winners. Failure to understand the process and being found not responsive were the next ranked areas of reasons for not winning an award. If you don't understand the system it is difficult to succeed in that system, particularly a system as complex as Government contracting. By way of example, in a conversation with one of the respondents, he stated that he had lost several bids in the past because he was not the lowest bidder. His complaint was that the Government used this criterion all too often without considering the implications of this policy. He explained that in many instances his bid included the service that he would be able to give to the Government if he was awarded the contract. However he noted that in many cases where he had been beaten on price that the award had gone to a business in another part of the country. His feeling was that these businesses were only trying to get the fast dollar and to not establish a long term relationship with the Government activity in his area. He felt that the Government in this instance suffered by the use of lowest price as the determinant. This businessman rationalized his approach to the bid in terms of his commercial business practice of establishing long term relationships with valued customers. He failed to understand the process of sealed bid procurement

methodology, wherein the lowest responsive and responsible bidder receives the award. If the solicitation does not call for follow-on service then the business person competing for the award should cost out and price his bid accordingly. The workshop could be very beneficial for business people, like him, who are trying to compete by ensuring that the process is understood.

10. A. Did you have a Government contract that you were currently working on when you attended the workshop?

As a prime contractor	A. Yes	64	B. No	175
As a subcontractor	C. Yes	34	D. No	215

- B. If yes, were you having difficulty with the contract?

As a prime contractor	A. Yes	19	B. No	45
As a subcontractor	C. Yes	7	D. No	27

- C. If you were having difficulty, what was the problem?

	Prime	Sub- Contractor
a. specification	8	1
b. burdensome paperwork	6	4
c. late payment or nonpayment	4	0
d. audit procedures	2	0
e. other	0	1

The responses to these two parts of question number 10 indicate that a good number of the respondents were working on a contract and that the ones who were operating as a prime were experiencing more difficulty than those who were

subcontracting. This could be expected from a population of small business contractors where Government contracting experience is limited and the primary business base is composed of commercial contracts. The results of this question were not of the magnitude to allow the researcher to draw conclusions about the problems of people doing business with the Government. However, the two largest problem areas, burdensome paperwork and problems with specifications are also discussed in the industrial base literature as being barriers to entry and causes of firms leaving the defense industrial base.

11. A. If you had a contract and were having a problem, did you receive information from the workshop on how to resolve it?

A. Yes 9 B. No 17

B. If no, what was the reason?

a. too many people, couldn't ask for help	8
b. asked question, got run around	5
c. didn't understand answer	3
d. forum did not allow for questions	1

C. If yes, were you able to resolve the problem?

A. Yes 9 B. No 0

The researcher observes that even though the number of people that had problems and didn't receive the information necessary to resolve the problem is small, in context to the total numbers of people that attend the workshops, it is still significant. The nature of the workshops is to foster

good will in the business community and thereby seek to increase competition and enhance the defense industrial base. It should be easier to maintain a current competitor than to entice a neophyte into the business. Failure to adequately address the attendees problems is an area of concern. It is worthy of note that the 9 respondents who received information at the workshop concerning their problems were able to resolve their problems utilizing the information gained.

12. If, after attending the workshop, you bid on a government contract, either in a prime or subcontract capacity, and were successful, do you feel that your attendance at the procurement workshop was instrumental in your receiving the award?

A. Yes 57 B. No 78

This question was only applicable if they had bid on a contract after the workshop had been conducted. The researcher had simplistically assumed that once the business people had attended the workshop they would begin doing business with the Government. Therefore, the researcher made no provision for those that marked this as nonapplicable, or left it blank, to comment on the reason why they had not tried to obtain a contract. Several of the respondents provided an answer even though they were not asked for one. The reasons they gave for not having tried to do business were; they had only recently attended a

workshop and had not had time to digest the information received, they could not qualify for the solicitations that had been placed in their area, and nothing had been offered in their area since they had attended. Of note is the fact that a majority of the respondents had been awarded a contract and of those 42% felt that the workshop had been instrumental in the award of the contract. Keeping in mind that with competition there are at least as many losers as winners this could be an indication that the workshops were effective in getting business people to understand the process. Through this understanding they were then prone to attempt to bid.

13. If no, please state briefly why you feel that the workshop did not help in your obtaining an award.

Question number thirteen asked the respondent for an explanation of why they answered "no" to question number twelve. The majority (58 of 78) of the "no" answers to that question were due to a feeling that the workshop had been too general in nature and, therefore, not instrumental in receiving the award. Sixteen of the remaining 20 felt that either the bottom line in getting an award was low price (7 answers) and the workshop could not help with this or they were old hands at the game and the workshop had only been a

reassurance vehicle and a way to stay current (9 answers).
The remaining 4 who answered "no" to question number twelve did not provide an explanation.

14. A. If you have not done business with the Government do you intend to in the future?

A. Yes 80 B. No 18

B. If no, what is the reason?

a. not interested	2
b. too hard/complicated	6
c. burdensome paperwork	3
d. instability of govt business	1
e. govt bidding methods	4
f. low profitability	4
g. other	2

The question was included in an attempt to measure the workshop's effectiveness in getting the attendees to at least try to do business with the Government. Though not conclusive, the overwhelming number of "yes" answers indicates that the respondents are at least inclined to attempt to do business with the Government in the future. This represents a potential net increase in the defense industrial base and should also lead to increased competition. If this is true of the total population, approximately a third of the attendees could attempt to enter the defense market.

15. A. If you are doing business with the Government, do you intend to quit?

A. yes 9 B. no 132

B. If yes, what is the reason?

a. late payments or nonpayment	1
b. burdensome paperwork	0
c. delays in making	2
d. had problems with current contract, tried to get help at the workshop and didn't	0
e. more attractive commercial ventures	2
f. unfair application of regulations	4
h. other	1

The overwhelming majority of the respondents answered "no" to this question. It appears that the contractors who have experience in Government contracting have found it to be sufficiently rewarding to continue to participate.

16. How would you rate the workshop in respect to the amount of information and understanding that you received by attending?

good 115 average 101 poor 23

Ninety percent of the respondents indicated that the workshop met or exceeded their expectations. This would tend to indicate that the workshops were generally structured to meet the needs of the target population.

17. Did you receive information at the workshop that you previously had not known about?

A. Yes 198 B. No 41

This question, along with the previous one (#16), was used to measure the effectiveness of the briefings in getting across their message to the attendees. Though not conclusive, it is felt that the responses provided indicate

that the material was presented in an effective manner and the attendees benefited from their experience at the workshops. A greater understanding of the contracting process should lead to increased participation and subsequent success for the participants. This should have a positive impact on both competition and the defense industrial base.

18. After attending the workshop did you feel that you could now sell to the Government?

A. Yes 183

B. No 56

This is a marked increase of positive responses and a marked decrease of negative responses when compared to question number eight (yes-109, no-130) which asked if they felt they could sell to the Government prior to their attendance at the workshops. The increase in the number of "yes" answers indicates the workshops were effective in informing the attendees in how to do business with the Government. A further comparison between these questions is made in the section on correlations (section C).

19. If after attending the workshop you were successful in obtaining a contract with DOD or other Government agency, did the number of employees that you have:

increase	9
decrease	1
stay same	79

Only one of the respondents gave the degree of the increase and then only stated that it doubled, not indicating how many workers there were in the beginning. Having received

an award did not seem to have a significant effect on the workforce size. This finding tends to indicate that businessmen who attended were not looking to the Government market as a source of immediate growth, but were using the Government business to displace less desirable commercial business.

20. If awarded a contract, please provide the following:

- a. contract number
- b. dollar value
- c. product/service
- d. month/year awarded

The information obtained from this question was intended for the Navy OLA only.

21. If you were conducting the workshop how would you improve it?

- | | |
|---------------------------------------|----|
| a. make them smaller | 50 |
| b. have more of them | 80 |
| c. address problems (more presenters) | 64 |
| d. allow for more questions | 40 |
| e. not conduct them | 6 |
| f. other | 45 |

The total number of responses was more than 239 because some respondents provided more than one answer. The category labeled "other" included several stated responses. The majority of these (37) were complaints that the workshops were too general and needed to be more specific in addressing the concerns and informational needs of the small

business person. The remaining 8 responses in this category were as follows:

- | | |
|---|---|
| 1. Not broad enough | 1 |
| 2. Have more representatives of large contractors | 4 |
| 3. Limit to just small businesses | 2 |
| 4. Show actual bid process | 1 |

The leading response, that more workshops should be held, indicates that the businessmen attending considered they would be beneficial to the business community at large. The other positive responses indicated that the size of the workshops should be limited in order to increase the interaction between the businessmen and the presenters. There also was a significant expression of interest in having additional presenters who were practitioners rather than managers to provide assistance in the actual mechanics of the contracting process.

C. CORRELATIONS

The researcher felt that correlations between some of the questions would provide further insight into the research area. The following correlations are intended to enhance the information discussed previously in the chapter.

The researcher was interested in the relationship between responses to question number eight:

Prior to your attendance at the workshop, did you feel that you knew how to sell to the Government

and question number nine:

Had you bid on a government contract prior to attending the workshop? If yes, did you receive the award of the contract?

The breakdown is as follows:

1. Answered yes to question number eight - 109

a. bid on contract	100
b. awarded contract	76
c. not awarded contract	24
d. did not bid	9

2. Answered no to question number eight - 130

a. bid on contract	53
b. awarded contract	29
c. not awarded contract	24
d. did not bid	77

The researcher noted that several of the respondents had stated in question number eight that they did not know how to sell to the Government. However, they answered positively to both parts of the next question. This seemed incongruent to the researcher and where the respondent had provided his name and phone number he was called. Each was asked why, if he did not know how to sell to the Government, he felt he had been successful in obtaining the contract. The answers from the respondents fell into one of two categories. The first reason given was that they simply had responded to a solicitation from the Government (military) and had placed the lowest bid on the requirement. They did not feel that they knew what they were doing only that they had been lucky. The second reason given was that they were

the subcontractor on a Government contract and knew how to do business with the prime but not the Government. As can be seen from the above, the people answering "yes" to question number eight had been more prone to bid on Government work. Over 90% of these had submitted bids versus only 40% of the respondents who had answered "no" to the question. Additionally, those answering "yes" to question eight had a greater success rate than the ones answering "no". The percentage for these was 76% versus 54%. This indicates that those who view themselves as knowing how to bid are more likely to bid and more likely to be successful.

The researcher then sought to segregate the above data between large and small businesses. Was there a correlation between the size of the business and whether or not they bid on a contract and receive the award? The breakdown was as follows:

1. Answered yes to question eight - 109

a. small/bid	74
b. small/bid/awarded	56
c. small/did not bid	5
d. large/bid	26
e. large/bid/awarded	20
f. large/did not bid	4

2. Answered no to question eight - 130

a. small/bid	45
b. small/bid/awarded	25
c. small/did not bid	69
d. large/bid	8
e. large/bid/awarded	4
f. large/did not bid	4

The researcher could find no correlation between the size of the business and the percentages of those who bid on a contract or received the award. The percentages for both the yes and no answers were similar.

The final question that the researcher had concerning question number eight had to do with its relationship to question number eighteen. This question asked the respondents if they felt they could now sell to the Government after attending the workshop. The researcher was curious as to how many respondents had switched their answers from "yes" to "no" and vice versa. The breakdown was as follows:

1. No to eight/yes to eighteen	88
2. No to eight/no to eighteen	42
3. Yes to eight/yes to eighteen	96
4. Yes to eight/no to eighteen	13

There was a significant increase in the number of respondents who felt they could do business with the Government after having attended the workshop. It was found in the first correlation discussed above that those who thought they knew how to sell to the Government were more inclined to bid and were more successful when they did bid. It can therefore be assumed that if the workshops have the affect of altering the businessman's perception of his ability to do business with the Government in a positive way, increased

participation will follow. This will in turn have a positive impact on the defense industrial base and the increase the number of contractors willing to compete for Government contracts.

Question fourteen was further analyzed by subdividing the responses between small and large companies and between manufacturing and service companies.

14. If you have not done business with the Government, do you intend to do so in the future?

	yes	80	no	18
a. yes/small/mfg		22		
b. yes/small/svc		44		
c. no/small/mfg				5
d. no/small/svc				12
e. yes/large/mfg		.3		
f. yes/large/svc		11		
g. no/large/mfg				1
h. no/large/svc				0

The distribution of responses for this question appears to be fairly uniform. There may be some significance in the large service business in that all of them indicated they would attempt to do business with the Government. However, the sample size is small and yields little confidence.

The same division was made for question fifteen.

15. If you are doing business with the Government, do you intend to quit?

	yes	9	no	132
a. yes/small/mfg		2		
b. yes/small/svc		5		
c. no/small/mfg				44
d. no/small/svc				59
e. yes/large/mfg		0		
f. yes/large/svc		2		
g. no/large/mfg				10
h. no/large/svc				19

An interesting point is disclosed by this division of the data. Of contractors who are currently doing Government contracting, contractors in the manufacturing category are more heavily represented than in the sample population. It appears that the manufacturing companies may have greater ease of entry to the Government market. This could be explained by a preference for domestic manufacture in a constricting manufacturing base.

D. SUMMARY

The data portrayed in this chapter were not gathered from a statistically random sample. They are, however, useful in determining the attitudes and opinions of the attendees. The workshops were viewed as being beneficial. The workshops were instrumental in providing key information to alter the perceptions of businessmen with regard to their

ability to contract with the Government. The workshops have had a positive impact on the defense industrial base and have generated additional competition.

VII. CONCLUSIONS, RESEARCH QUESTIONS,
RECOMMENDATIONS AND AREAS FOR
FURTHER RESEARCH

A. CONCLUSIONS

The defense industrial base in America appears to have shrunk to the point where the U.S. is in danger of not being able to fight a prolonged war. This is the view expressed in the literature which was reviewed. The economy of the U.S., though remaining strong, has become a service oriented economy, vice a manufacturing economy. The problem may even be worse than it appears, as many of the companies in the U.S. that are classified as manufacturing concerns do nothing more than process the orders for the material and arrange for its shipment from offshore manufacturing activities.

It appears that the Navy is lagging behind the other Services in its ability to perform the industrial base planning required by DOD and necessary to ensure a war fighting capability. This conclusion is based on GAO reports which state that the Army and Air Force are either performing the planning internally or have a data base to enable them to do so. The Navy, though, according to both GAO and personnel from within the Department of the Navy, does not presently possess this ability.

Competition is a major cost-reducing tool used by the Navy and has been effective. The Navy, once having had a mindset predisposed toward sole source procurement, is now committed to competing as many of its total procurement actions as reasonably possible. This has resulted in cost reductions on several of its major systems procurements. This has done two things: (1) reduced the cost of the planned system, and (2) allowed for reprogramming of funds saved to purchase unfunded requirements.

The procurement workshops appear to have been well received by the business people who attended. This conclusion is based on the answers received from business people who returned the questionnaires. Forty-eight percent of the respondents felt the workshops had done a good job in providing information needed to understand the process of contracting with the Government, whereas less than ten percent felt the workshops did a poor job of providing this information.

The workshops have been effective in strengthening the DIB and increasing competition. Of those respondents who had never done business with the Government, the number who said they were going to try to do so was much larger than the number who said they would not. Additionally, the number of those who felt they could sell to the Government after attending the workshop increased significantly

over the number who thought they knew how to sell prior to attending.

The respondents felt that the procurement workshops could be improved. The business people who answered the questionnaire felt that, even though the workshops were good and had been effective in helping them understand the acquisition process, they could be improved. The majority felt they should be smaller in size (fewer attendees) and address the problems that might be faced by a business person in more detail.

B. THE RESEARCH QUESTIONS

What have been the results of the procurement workshops and what did the attendees think about their usefulness to them in helping them to obtain Government contracts? From the questionnaires which were returned, the researcher concludes that the workshops have been well received by the attendees and have been useful to them in obtaining contracts. Prior to their attendance a slight majority (54%) felt they did not know how to sell to the Government. After attending the workshop seventy-seven percent felt they could be successful in selling to the Government. Additionally, forty-two percent of the respondents who stated they had received a contract felt their attendance at the workshops was instrumental in their receiving the award.

What was the effect of the procurement workshops in increasing the number of small businesses that contract to provide for Navy needs? From the responses, the researcher concludes it is probable that small business participation in the Government acquisition process has increased. The majority of the respondents were small business concerns and, of the eighty respondents who stated they were going to try to do business with the Government in the future, eighty-two percent were small concerns.

What type of business sends representatives to the workshops, manufacturing or service? Of the two hundred thirty-nine respondents, the majority were representatives of service-oriented business concerns. The actual percentages were; service - 81%, manufacturing - 19%.

Have the workshops increased the competitive base and strengthened the defense industrial base? The researcher believes that, from the responses on the questionnaires, the workshops have increased competition for the Navy and strengthened the defense industrial base. The number of respondents who felt they could do business after attending the workshop was much greater than those who felt they could not. Seventy-six percent felt they could sell to the Government after attending the workshop. Prior to attending the workshops only forty-five percent felt this way.

Will the business people who had no prior experience in Government contracting attempt to contract with the Government after having attended a workshop? The researcher feels that, from the data obtained from the questionnaire, the respondents who had no experience will now attempt to do business with the Government. Of the business people who indicated they had no experience in contracting with the Government, either in a prime or subcontractor mode, sixty-seven percent said they would attempt it in the future.

Why did the attendees come to the workshop? The majority of the attendees came to the workshops to obtain information and to sell to the Navy.

C. RECOMMENDATIONS

It is recommended that the Navy continue to support the Procurement workshops. The workshops have been extremely well received by the business community and have served the purpose of increasing competition and the strengthening the defense industrial base.

It is recommended that a procedure be established to ensure that the problems that are presented at the workshops are properly addressed. One of the goals of the workshops should be to foster good will in the business community. When a businessman states a problem and does not have it resolved at the workshop, a tasking should be initiated to have the issue researched and a response provided in a

timely fashion. It is not expected that the presenter should be able to address every question that is posed, however, the businessman should be provided with a timely response.

It is recommended that the format for the Procurement workshops be changed to add a practitioner presenter and limit the size to no more than 150 participants. The participants indicated that they would like to be able to get first hand, practical assistance from a working level Government contracting representative. The Flag level presenter should certainly be retained as well, as this portrays a high level interest in the program. Respondents who had attended large workshops (attended by more than 250 individuals) were adamant in their opinion that the workshops should be smaller to allow greater contact with the presenter. This would also allow greater interaction in the question and answer portion of the presentation. Smaller groups would be in keeping with the intent of Admiral Sansone, who initiated the workshops, that they be a personal approach to the Navy commercial contractor interface.

D. AREAS FOR FURTHER RESEARCH

Research conducted for this report has provided the basis for further study and action in two areas.

A survey could be conducted focusing on businesses which had recently entered into the contracting process with the Navy to determine if they have been asked to complete a DD 1519. The research could center on whether or not the Navy is identifying those businesses which are entering the Government arena and placing them into the data base needed to do the PBA.

Further research might be conducted to determine why the Navy has been unable to publish its first PBA as required by DOD. One area of concern which could be explored is the use of the DD 1519 as an industrial planning tool. The literature reviewed suggests it is an inadequate tool for gathering information necessary to perform industrial planning.

APPENDIX A

QUESTIONNAIRE

1. How did you become aware of the Navy Procurement Workshop?
 - a. Notification by the Dept. of the Navy ()
 - b. Notification by Congressman ()
 - c. Notification by Chamber of Commerce ()
 - d. TV/Radio Advertisement ()
 - e. Local newspaper ()
 - f. Other ()
2. A. What type of material/service does your business produce/perform?

 B. What is your primary Standard Industrial Classification code (SIC)?
3. Please state the first 3 digits of your zip code.
4. Please indicate the approximate number of your employees.
5. What approximately is the annual sales figure for your company rounded to the nearest thousand dollars?
6. About what percentage of your sales are with the Department of Defense?

	Prime contractor	Subcontractor
0	()	()
under 10%	()	()
11 to 30%	()	()
31 to 50%	()	()
51 to 75%	()	()
above 75%	()	()

7. Why did you attend the workshop?

- a. curiosity ()
- b. problem with current contract ()
- c. wanted information ()
- d. wanted to see congressman ()
- e. sell to Navy ()
- f. sell to Govt. ()
- g. other ()

8. Prior to your attendance at the workshop, did you feel that you knew how to sell to the Government?

- A. Yes () B. No ()

9. A. Had you bid on a Government contract prior to attending the workshop?

- As a prime contractor A. Yes () B. No ()
As a subcontractor C. Yes () D. No ()

B. If yes, did you receive the award of the contract?

- As a prime contractor A. Yes () B. No ()
As a subcontractor C. Yes () D. No ()

C. If no, what was the reason?

- a. bid was too high ()
- b. didn't understand process ()
- c. found to be not responsive by contracting officer ()
- d. problems with Prime ()
- e. other ()

10. A. Did you have a Government contract that you were currently working on when you attended the workshop?

- As a prime contractor A. Yes () B. No ()
As a subcontractor C. Yes () D. No ()

B. If yes, were you having difficulty with the contract?

- As a prime contractor A. Yes () B. No ()
As a subcontractor C. Yes () D. No ()

C. If you were having difficulty, what was the problem?

- a. specification ()
- b. burdensome paperwork ()
- c. late payment or nonpayment ()
- d. audit procedures ()
- e. other ()

11. A. If you had a contract and were having a problem, did you receive information from the workshop on how to resolve it?

A. Yes () B. No ()

B. If no, what was the reason?

- a. too many people, couldn't ask for help ()
- b. asked question, got run around ()
- c. didn't understand answer ()
- d. forum did not allow for questions ()
- e. other ()

C. If yes, were you able to resolve the problem?

A. Yes () B. No ()

D. If no, what was the reason?

- a. guidance was faulty ()
- b. did not understand guidance ()
- c. asked question incorrectly ()
- d. Navy did not have answer ()
- e. problem had no solution ()
- f. other ()

12. If, after attending the workshop, you bid on a Government contract, either in a prime or subcontract capacity, and were successful, do you feel that your attendance at the procurement workshop was instrumental in your receiving the award?

A. Yes () B. No ()

13. If no, please state briefly why you feel that the workshop did not help in your obtaining an award.
14. A. If you have not done business with the Government do you intend to in the future?
- A. Yes () B. No ()
- B. If no, what is the reason?
- a. not interested ()
- b. too hard/complicated ()
- c. burdensome paperwork ()
- d. instability of govt business ()
- e. Govt bidding methods ()
- f. low profitability ()
- g. other ()
15. A. If you are doing business with the Government, do you intend to quit?
- A. Yes () B. No ()
- B. If no, what is the reason?
- a. late payments or nonpayment ()
- b. burdensome paperwork ()
- c. delays in making ()
- d. had problems with current contract, tried to get help at the workshop and didn't ()
- e. more attractive commercial ventures ()
- f. unfair application of regulations ()
- g. inflexible procurement policies ()
- h. other ()
16. How would you rate the workshop in respect to the amount of information and understanding that you received by attending?
- good () average () poor ()
17. Did you receive information at the workshop that you previously had not known about?
- A. Yes () B. No ()

18. After attending the workshop did you feel that you could now sell to the Government?

A. Yes ()

B. No ()

19. If after attending the workshop you were successful in obtaining a contract with DOD or other Government agency, did the number of employees that you have:

increase (), Amount

decrease (), Amount

stay same ()

20. If awarded a contract, please provide the following:

a. contract number

b. dollar value

c. product service

d. month/year awarded

21. If you were conducting the workshop how would you improve it?

a. make them smaller (fewer attendees) ()

b. have more of them ()

c. address problems (more presenters) ()

d. allow for more questions ()

e. not conduct them ()

f. other ()

22. I am willing to discuss my views by phone.

A. yes () B. no ()

23. If yes, please provide name and phone number. Thank you.

Name _____
Phone() _____

LIST OF REFERENCES

1. Collins, Lt.Col., O. M., "Getting Serious about Industrial Base Planning." Program Manager, May-June 1984.
2. Hearing before the Subcommittee on Monetary and Fiscal Policy of the Joint Economic Committee, Congress of the United States, Ninety Seventh Congress, First Session, Government Policy and the Defense Industrial Base, U.S. Government Printing Office, Washington, D.C., 1982.
3. Nicholas, G. T, "The Industrial Base Under Seige," Hq, U.S. Army Armament, Munitions and Chemical Command, Rock Island, Illinois, undated.
4. Economic Report of the President, Transmitted to the Congress, February 1984, together with the Annual Report of the Council of Economic Advisers, United States Government Printing Office, Washington, D.C., 1984.
5. Ball, Nicole and Leitenberg, Milton, The Structure of the Defense Industry, An International Survey, St. Martin's Press, New York, New York, 1983.
6. Report of the Defense Industrial Base Panel of the Committee on Armed Services, House of Representatives, Ninety Sixth Congress, Second Session, The Ailing Defense Industrial Base; Unready for Crisis, U.S. Government Printing Office, Washington, D.C., 1980.
7. U.S. General Accounting Office Report to the Subcommittee on International Trade, Finance, and Security Economics of the Joint Economic Committee, Assessing Production Capabilities and Constrains in the Defense Industrial Base, GAO/Pemd-85-3, April 4, 1985.
8. U.S. General Accounting Office Report to the Honorable Sam Nunn, United States Senate, Overview of the Status of the Defense Industrial Base and DoD's Industrial Preparedness Planning, GAO/NSIAD-85-69, May 23, 1985.
9. Personal interview with Ann Marie SuPrise, IPP coordinator, CNO, Logistics Plans Branch, Washington, D.C., August 12, 1986.

10. Gulick, C. E., The Defense Industrial Base: Prescription for a Psychosomatic Ailment, Air University Press, Maxwell Air Force Base, Alabama, August 1983.
11. Vawter, R. L., Industrial Mobilization: The Relevant History, National Defense University Press, Fort Lesley J. McMair, Washington, D.C., 1983.
12. Nicholas, G. T., "Anatomy of Surge," Hq, U.S. Army Armament, Munitions and Chemical Command, Rock Island Illinois, undated.
13. Department of Defense, Manufacturing Management Handbook for Program Managers, Defense Systems Management College, Fort Belvoir, Virginia, July 1984.
14. Personal interview with Albert M. Bottoms, Navy Chair, Defense Systems Management College, Fort Belvoir, Virginia, October 3, 1986.
15. DeLauer, R. D., "Stabilizing Our Industrial Base," Defense, December 1981.
16. Final Report to the President by the President's Blue Ribbon Commissions on Defense Management, A Quest for Excellence, June 1986.
17. Wilson, R., "The Military-Political-Industrial Complex," Program Manager, March-April 1980.
18. Nicholas, G. T., "Ready Response to Surge: New Contracting Techniques," Defense Management Journal, First Quarter 1982.
19. Church, D. W., "Reforging Industrial Readiness," Defense, December 1980.
20. Stimson, R. A., "Correcting the Shortfalls in the Defense Specifications and Standards Program," Defense Management Journal, March-April 1979.
21. Gansler, J. S., The Defense Industry, The MIT Press, Cambridge, Massachusetts, December 1980.

22. White, E., "Companies Face End of Military Buildup, Subcontractors Pinched Most by Budget Cuts," The Wall Street Journal, June 12, 1986.
23. Department of Defense Instruction 4005.3, Industrial Preparedness Planning, April 18, 1985.
24. Department of Defense Manual 4005.3-M, Industrial Preparedness Planning Manual, November 1, 1985.
25. Mulkey, J. G., "Are Defense Industries Ready to Surge?" Defense Management Journal, Third Quarter 1985.
26. Dobler, D. W., Lee, L., Jr., and Burt, D. N., Purchasing and Material Management, McGraw-Hill Book Company, 1984.
27. Thybony, W. W., Government Contracting Based on the Federal Acquisition Regulation (FAR) (and the Competition in Contracting Act of 1984), Thybony, Inc., Reston, Virginia, 1985.
28. Dovie, A. M., An Analysis of the Effects of Multiyear Procurement on Competition at the Subcontractor Level, Master's Thesis, Naval Postgraduate School, Monterey, California, December 1985.
29. Preston, C. A., "Congress and the Acquisition Process: Some Recommendations for Improvement," National Contract Management Journal, Vol. 20, Issue 1, Summer 1986.
30. Casey, A. G. and Williams, M. D., "Increasing Competition through Streamlined Source Selections," Program Manager, May-June 1986.
31. Robinson, P. M. and Sullivan, M. P., "An Evaluation of Dual Source Acquisition Programs," Industrial College of the Armed Forces, National Defense University, March 1986.
32. Under Secretary of Defense for Research and Engineering Memorandum, "Increasing Competition in the Acquisition Process," Washington, D. C., November 10, 1981.
33. Secretary of Defense Memorandum, "Competitive Procurement," Washington, D. C., September 9, 1982.

34. Presidential Memorandum, "Competition In Federal Procurement," Washington, D. C., August 11, 1983.
35. Sherman, S. M., Government Procurement Management, Wordcrafters Publications, Gaithersburg, Maryland, 1985.
36. Hunter, W. N., "OFPP Report Relates to Key Procurement Legislation in the 98th Congress," Program Manager, November-December 1984.
37. Federal Acquisition Requisitions, Volume I, Parts 1-51, April 1984.
38. General Counsel of the Navy Memorandum, "The Obligation to Foster Competition in Procurement," Washington, D. C., April 7, 1983.
39. Secretary of the Navy press release on the establishment of the Competition Advocate General, July 13, 1983.
40. Naval Material Notice 5430, "Competition Advocate General (CAG); establishment of," Washington, D. C., August 2, 1983.
41. Secretary of the Navy Notice 5430 "Reorganization of the Secretariat," Washington, D. C., October 27, 1983.
42. Competition Advocate General of the Navy Memorandum, "Increasing Competition in Navy Procurement," Hq. Naval Material Command, Washington, D. C., November 9, 1983.
43. Competition Advocate General of the Navy, "A First Year Report to Competition Advocates....," Hq. Naval Material Command, Washington, D. C., August 13, 1984.
44. Assistant Secretary of the Navy (Shipbuilding and Logistics) Memorandum, "Competition in Contracting Act of 1984," Washington, D. C., December 1985.
45. United States Navy Competition Advocate General, Fiscal Year 1985 Annual Report on Procurement Competition in the Department of the Navy, Washington, D. C., December 1985.
46. Competition Advocate General "Year End Competition Communique for Navy and Marine Corps Competition Advocates and Heads of Navy Procuring Activities," Washington, D. C., October 1986.

47. Personal interview with LCDR Bob Law, Contracts Specialist, Office of Legislative Affairs, Washington, D. C., August 11, 1986.
48. Telephone interview with LCDR Bob Law, Contracts Specialist, Office of Legislative Affairs, Washington, D. C., October 20, 1986.
49. Personal interview with Rear Admiral J. Sansone USN(Ret), Washington, D. C., August 12, 1986.
50. Department of the Navy, Navy Small and Disadvantaged Business Personnel Directory, NAVSO P-2485, April 1983.
51. Department of Defense, Small and Disadvantaged Business Utilization Specialists, Washington, D. C., undated.
52. Department of Defense, Small Business Subcontracting Directory, Washington, D. C., undated.
53. Department of Defense, Guide to the Defense Contracting Regulations for Small Business, Small Disadvantaged Business, Women Owned Business, Washington, D. C., undated.

INITIAL DISTRIBUTION LIST

	No. Copies
1. Defense Technical Information Center Cameron Station Alexandria, Virginia 22304	2
2. Library, Code 0142 Naval Postgraduate School Monterey, California 93943-5002	2
3. Defense Logistics Studies Exchange U. S. Army Logistics Management Center Fort Lee, Virginia 23801	1
4. LCDR R. W. Smith, Code 54Sx Department of Administrative Sciences Naval Postgraduate School Monterey, California 93943-5000	1
5. Dr. David V. Lamm, Code 54Lt Department of Administrative Sciences Naval Postgraduate School Monterey, California 93943-5000	5
6. Administrative Sciences Curricular Office Code 36 Naval Postgraduate School Monterey, California 93943-5000	1
7. LCDR Robert Law Navy Liaison Rayburn House Office Bldg Room B-324 Washington, D.C., 20155	1
8. Major W. H. Gaffney 416 Crab Orchard Road Lancaster, KY 40444	1

thesG12343

A survey of the Navy office of legislati



3 2768 000 70623 8

DUDLEY KNOX LIBRARY